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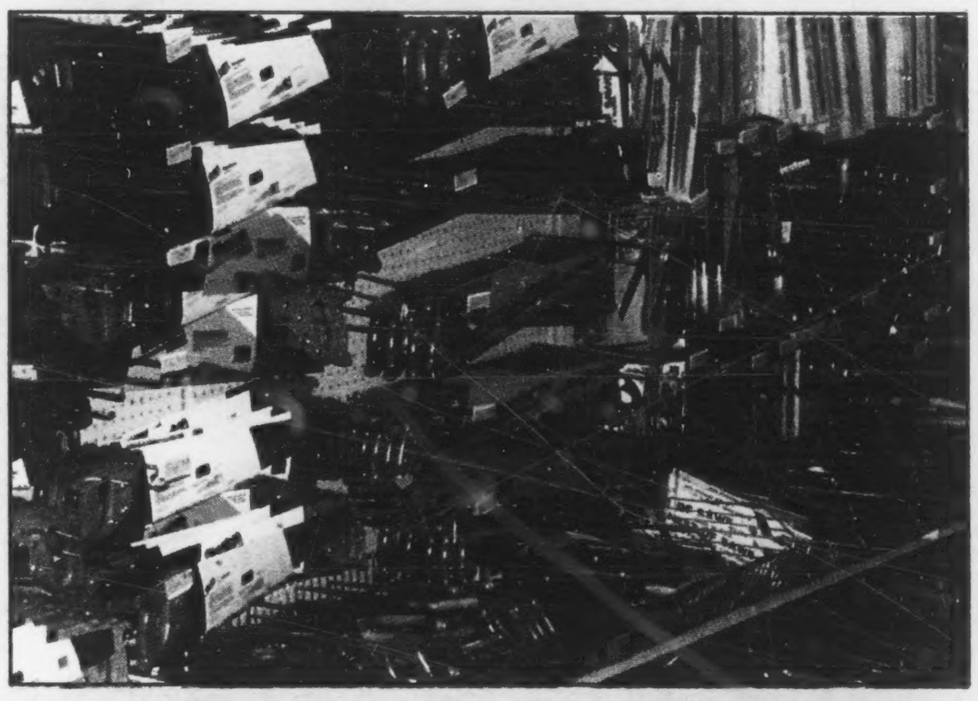
ANNUAL CENSUS

HARDLINES WHOLESALERS



The industry's top 75 full-line hardlines wholesalers enjoyed strong sales growth in 1988, generating an aggregate $2.97 billion, or about an 8 percent gain over the previous year. To expand their business, these wholesalers are offering a raft of services, and are linking up with their customers electronically to quicken the flow of goods through the pipeline. See page 11

Central to remain intact after its acquisition by Handy Andy

By Gary S. Ruderman

ST. LOUIS — Management of retailer Central Hardware and wholesaler Witte Hardware will seek an equity stake in their companies prior to their being sold to three investment partners.

NHCN confirmed that Jim Cohen, president of the 38-unit Central Hardware; Neil Marglous, president of the $75 million Witte Hardware, and other senior managers are seeking an ownership position.

Central and Witte have agreed to be sold to AOK Corp. of Delaware, which is comprised of Salomon Brothers, the New York investment banker; Handy Andy Home Improvement Centers, the 49-unit chain based in Schaumburg, Ill.; and Handy Andy's parent GIB Group of Belgium.

The combination of Central and Handy Andy would produce a chain of 88 units operating in seven Midwestern states and that did $645 million in sales last year, which would make it the industry's 10th largest retailer in terms of sales by *NHCN* estimates.

Ronald Rashkow, chairman of Handy Andy, confirmed that Cohen, Marglous and others will have "participation in the equity of the company." The deal is proposed to go through by June 12.

Handy Andy
At a Glance
Headquarters: Schaumburg, Ill.
1988 sales: $370 million (est.)
Stores: 49
Avg. showroom size: 68,000 square feet
No. of skus: 25,000
Employees: 4,500
Ownership: 65 percent owned by GB-Inno-BM

Central Hardware
At a Glance
Headquarters: St. Louis, Mo.
1988 sales: $275 million (est.)
Stores: 38
Avg. showroom size: 65,000 square feet
No. of skus: 40,000
Employees 3,500
Ownership (before takeover): Interco Co.

Few changes anticipated

In a move anticipated since February, Handy Andy and its partners signed an agreement May 8 to purchase Central, based here, for slightly more than $245 million.

Cohen and Rashkow, speaking at a press conference in St. Louis on May 10, assured employees that

(Continued on page 45)

K mart cleans house at Builders Square as two founders resign

By Elizabeth Brent

SAN ANTONIO, Texas — In a sudden move, two of the original founders of Builders Square left the company on April 29.

Jud Walford and Frank Powers, both executive vice presidents, have been with the Builders Square since its inception in 1983. Together with Frank Denny, they left W.R.Grace in 1983 to start Home Centers of America. After a name change and expansion to nine stores, Builders Square was sold to K mart in 1984 for $90 million.

Reportedly the contracts of all three executives were up for renewal in September. It was not known at presstime whether Denny, chairman and ceo of the 137-unit chain, will also be leaving the company.

Powers could not be reached for comment, and Walford said he had signed a confidentiality agreement not to discuss the details of his departure. Builders Square declined to elaborate on the departures. K mart officials were expected to name replacements for Walford and Powers the week of May 12.

The departure took the industry by surprise, even though Builders Square has been in transition since Glen Mielke was appointed its chief operating officer on January 1. Mielke was formerly a vp for K mart's southwestern region, and is best known in this industry as serving as the liaison between K mart and Hechinger in their ill-fated "Home Team" joint venture.

NHCN photos

Jud Walford (left) and Frank Powers, both of whom have been with Builders Square since its inception, have left the chain.

Mielke's arrival at Builders Square resulted in management shuffles which directly affected both Walford and Powers. It also placed Mielke in charge of operations reporting directly to Denny.

Walford, formerly executive vp-operations, was reassigned to executive vp in charge of merchandising and advertising, reporting directly to Mielke. Powers, formerly chief merchandising officer, became the executive vp overseeing administration and store setup.

The two men were instrumental in Builders Square's rapid expansion, which in one year, 1987, saw the company open 50 new stores. The chain, with sales of $1.7 billion in 1988, also became profitable for the first time last year, thereby shaking off the industry's biggest criticism of the warehouse operator.

It is assumed, though, that K mart in general and Mielke in particular will be focusing this year on the bottom line to an even greater degree.

Protection of 'threatened' owl endangers timber industry

By Gary S. Ruderman

PORTLAND, Ore. — In a far-reaching decision, the U.S. Fish & Wildlife Service began designating the Northern spotted owl a "threatened" species, and has halted for up to a year any cutting on 40 percent to 60 percent of the available, old-growth Northwestern timber on public lands.

Conservation effort could affect up to three billion board feet of lumber. Industry officials said mill closings and shortages of some Western species could result.

The immediate impact on retail lumber sales and prices will call for a 30- to 60-day jump in Western species prices, according to mill operators, wholesalers and brokers, although no one would hazard a guess about the cost in dollars. The long-term impact is expected to result in mill closings, layoffs and market shortages of Western species during the next year.

The late April decision affects between 1.9 billion and 3 billion board feet of coastal old growth stands among the estimated 5 billion board feet on public lands sold annually in Washington and Oregon. A decision on additional acreage set aside for owl habitat in California is expected.

According to the Western Wood Products Association, 42.4 percent of U.S. lumber sales come from the three targeted states.

"The industry is endangered, not the bird," exclaimed Luke Popovich, vp of communications for of the National Forest Products Association in Washington. "We es-

(Continued on page 46)

NEWSBREAKS

NRHA CUTS STAFF IN RESTRUCTURING: National Retail Hardware Association, based in Indianapolis, has eliminated its retail store design division and the marketing support services department in a refocusing move May 5. The association confirmed that about 22 people were cut from the staff, but its officials did not comment beyond this at presstime.

INDUSTRY UPDATE

Home Depot offers $200M in bonds

ATLANTA — The Home Depot has filed a registration statement with the SEC for a proposed offering of $200 million of interest-bearing bonds.

Ronald M. Brill, senior vp-cfo of The Home Depot, said it is "the largest [fund-raising] deal we've ever done," adding that The Home Depot plans to use the net proceeds for store expansion over the next two years as well as for "general corporate purposes."

The First Boston Corp. and Invemed Associates will be co-underwriters of the offering which will consist of convertible subordinated debentures due 2014.

A company statement said The Home Depot may apply a portion of the proceeds to pay outstanding amounts under its revolving credit agreement and invest the remainder in interest-bearing securities.

Brill told *NHCN* that the proposed offering has been "very well received" by the financial community.

Georgia-Pacific names new pres.

ATLANTA — Georgia-Pacific has named a new president and a vice chairman.

Ron Hogan, 48, a 24-year veteran of the forest products company who most recently was head of its building materials division here, was elected president and chief operating officer effective July 1.

He is filling the slot left open after the promotion of Harold Airington to the new post of vice chairman. This is the second time Hogan and Airington have moved up the corporate ladder simultaneously. When Airington, now 61, became G-P's president in February 1988, his position of executive vp-building products was filled by Hogan.

Airington has been with G-P since 1955, when he joined the company as a wood products salesman.

Hogan and A.D. Correll, G-P's 48-year-old executive vp-pulp and paper products, are expected by industry analysts to be in line for the company's top posts when its senior managers retire.

Busy Beaver to open new outlet

PITTSBURGH — Busy Beaver, the 16-unit home improvement chain based here, plans to open another outlet in the Pittsburgh suburb of New Kensington July 1.

The company's president, Charles Bender, said the store will have "32,000-plus" square feet. Workmen, he said, have already laid the building's foundation and are erecting its steel frame. "The rest will go fast now," he said.

Busy Beaver, with stores throughout Pennsylvania and in upstate New York and Ohio, did $75 million in sales last year. Its major competitors in New Kensington, Bender said, will be Builders Square and 84 Lumber.

Masco merges with Universal

TAYLOR, Mich. — The Masco Corporation enhanced its position as a major furniture supplier with its $490 million merger with Universal Furniture Limited. Richard Manoogian, Masco chairman and ceo, said Masco's and Universal's combined annual sales of home furnishing products will approach $1.5 billion.

Universal, the largest supplier of dining room furniture in the nation, had 1988 net sales of $472 million and net income of $31 million. The company also manufactures bedroom and occasional furniture and, under its Bench Craft brand, a broad assortment of upholstered furniture. The company has manufacturing operations in 10 countries in North America, Europe and Asia.

In 1988, Masco had net sales of $2.4 billion and net income of $288 million.

"Masco's strength in the higher end of the furniture market, combined with Universal's leading position in the popular-priced market, makes for an exciting strategic fit," said Laurence Z.Y. Moh, Universal chairman and ceo, in a prepared statement. "I believe there are very significant future opportunities for the combined companies."

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Poulos leaves Lampert Lumber

By an NHCN staff editor

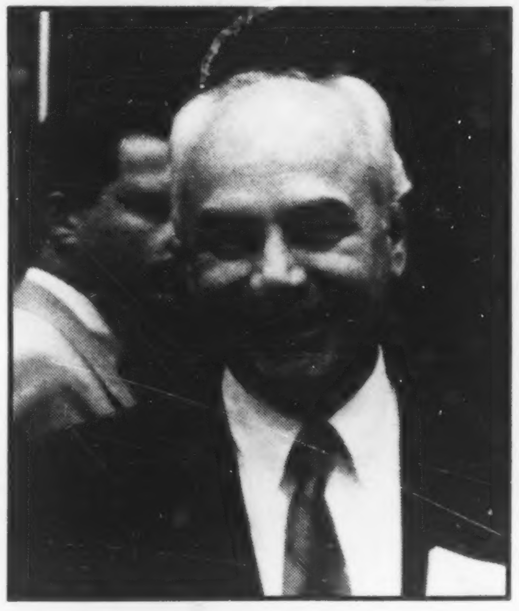
ST. PAUL, Minn. — Lampert Lumber officials were reluctant to discuss last month's departure of George Poulos as president of the 44-unit chain based here.

F. Joseph Hayes, Lampert Lumber ceo, would only confirm Poulos has not been with the company since April 24.

Contacted at his home, Poulos expressed an interest in staying in the home improvement industry, but he would not discuss circumstances surrounding his departure.

It could not be determined at press time whether Poulos had left the company of his own volition, although his departure came as a surprise to industry observers.

Poulos, a 34-veteran in building materials marketing, joined the company in 1984 and became its president in 1986. Last summer, Poulos, Hayes and Josh Hulce, as officers of the then-newly formed LLC Holding Company, purchased the chain.



George Poulos has left his position as president of Lampert Lumber. NHCN photo

"I'm reviewing all of my options," said Poulos. "I'd like to stay in the industry, but when, where and in what capacity, I'm not in a position to say." He would not discuss his departure or business at the company since the purchase.

Poulos' position will not be filled, said Hayes, who has "been spending a great deal of time" between his office in Denver and the Lampert office here. All senior management at the headquarters in St. Paul reports to Hayes.

Hayes and Hulce are both Denver businessmen who remained in that city after the purchase last year.

Hayes said Lampert Lumber is always looking at new strategies but added, "there is nothing specific at this time."

With no heirs, Sodisco owners sell out

By an NHCN staff editor

MONTREAL — Faced with the lack of interested heirs, brothers Michel and Jacques Auger sold their majority share in Sodisco, Canada's largest independent hardlines wholesaler for an estimated $107 million (Canadian).

Unigesco Inc., a publicly traded Montreal management company with extensive holdings in distribution and retail, acquired the majority of the 12.7 million outstanding shares of the Augers' company, which is also public, in a friendly takeover May 5. The Auger brothers held 78.6 percent of Sodisco's stock.

Unigesco's $136 million (Canadian) bid for all of the company's stock, backed by bank loans, commenced April 12. For each Sodisco share tendered, it offered $9 in cash and $1.75 in dividends. Sodisco's common stock was trading at

(Continued on page 45)

Nuway to resite DC to Omaha

By an NHCN staff editor

OMAHA, Neb. — Nuway Distributors this summer will relocate its Denver distribution center into a new 35,000-square-foot DC in this city, a move that will give the cash and carry distributor better access to dealers to which it plans to market Pro Hardware's programs.

Nuway, based in Baltimore, became affiliated with Pro, the Stamford, Conn.-based wholesaler marketing organization, in January. As part of that agreement, Nuway was licensed to sell Pro's programs—which include store remodeling, circulars, and other services—to dealers in western Iowa, eastern Nebraska and southeast South Dakota.

Gary Cohen, Nuway's president, told *NHCN* that his company wanted to be "better positioned" geographically to market Pro's programs. The problem was that the distributor's 20,000-square-foot Denver DC was neither large enough nor centrally located for the dealers Nuway anticipated signing up.

On April 14, the Denver facility was closed, and the company expects to begin shipping out of the Omaha unit on June 4. During the six-week down time, dealers who were buying out of Denver will be serviced from Nuway's DC in St. Louis, Mo.

Nuway is one of several companies that Pro has corralled into its stable. The Handy Hardware Wholesale and United Hardware Distributors co-ops have become affiliated with Pro, and Allied Hardware Services, another wholesaler marketing group, merged with the company earlier this year.

Cohen called his company's affiliation with Pro a "good marriage," and said it decided to make that move to be able to offer Nuway dealers stronger store identification and circular programs. He commented that Pro's success in signing on new members is attributable to its "aggressiveness" and "open-mindedness" particularly in its willingness to accept hardware co-ops into its fold.

The Pro agreement has also spurred Nuway to begin new programs or expand old ones to accommodate its growing dealer base.

For example, the company will begin to expand its "Gold Service" delivery service in its Baltimore, Omaha and Miami DCs. Cohen said this would be added "gradually" to the company's other facilities.

In addition, Nuway will conduct its first Dealers' Show in the Baltimore Arena on Sept. 9-10.

Cohen noted that Nuway, which began as a secondary, cash and carry supplier, has emerged as a primary distributor for many of its retail accounts. "We wanted to offer new programs" to these accounts, he said.

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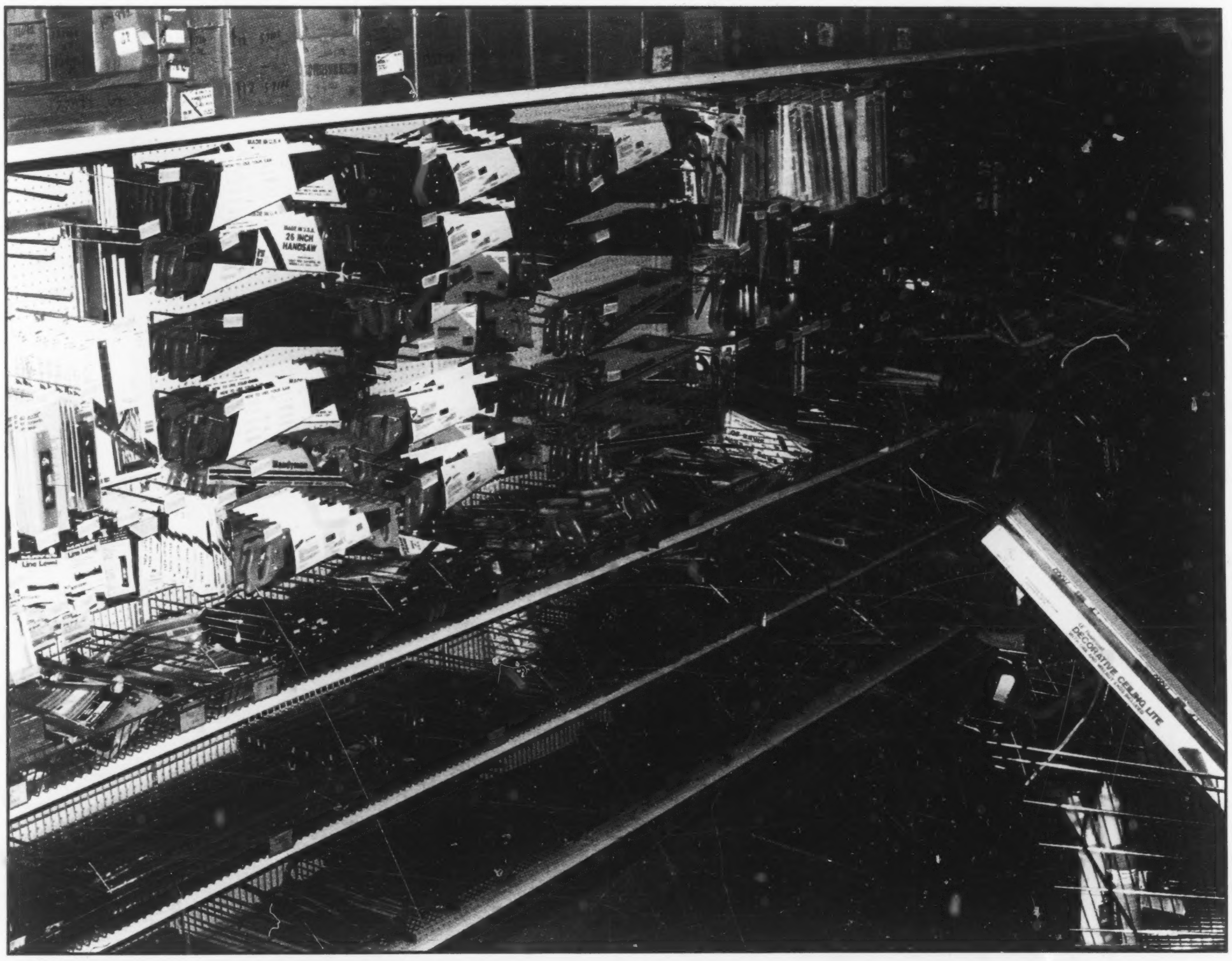
ANNUAL CENSUS

HARDLINES WHOLESALERS



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WHOLESALERS FOCUS ON AUTOMATING THE OFFICE, BUT NOT THE WAREHOUSE

Electronic order-taking expands, but bulk products block mechanized handling

By John Caulfield

When Jensen-Byrd, the Spokane, Wash.-based hardware wholesaler, built its new distribution center two years ago, it consciously decided against having it be fully automated.

"I think that you can go too far using technology," said the distributor's operations manager Jim Hart. "I don't want to take a body out of the warehouse and replace him with two systems people."

On the other hand Jensen-Byrd, like so many other distributors, has initiated a program of direct electronic order entry with a handful of retailer customers that invariably will expand. "Our company's goal is to be the easiest to do business with," Hart said.

Herein lies the paradox within the wholesaling community: A technological revolution has sprung up among hardlines wholesalers, moving them closer to their customers electronically with the help of everything from FAX machines and bar coding to computer-to-computer ordering and billing.

Yet, these advancements have not extended universally to physical refinements in the way wholesalers handle product inside their warehouses.

Many companies employ automated—and often computerized—conveyor belts and pickers, of course. But the types of products wholesalers in this industry handle—often bulk items or break packs—sometime militate against sophisticated mechanization.

"[Warehouse] automation is just not the way to go for our industry," said Mike Hottman, executive vp for Thomson-Diggs, a distributor based in Sacramento, Calif. "It's much more important to develop better systems internally."

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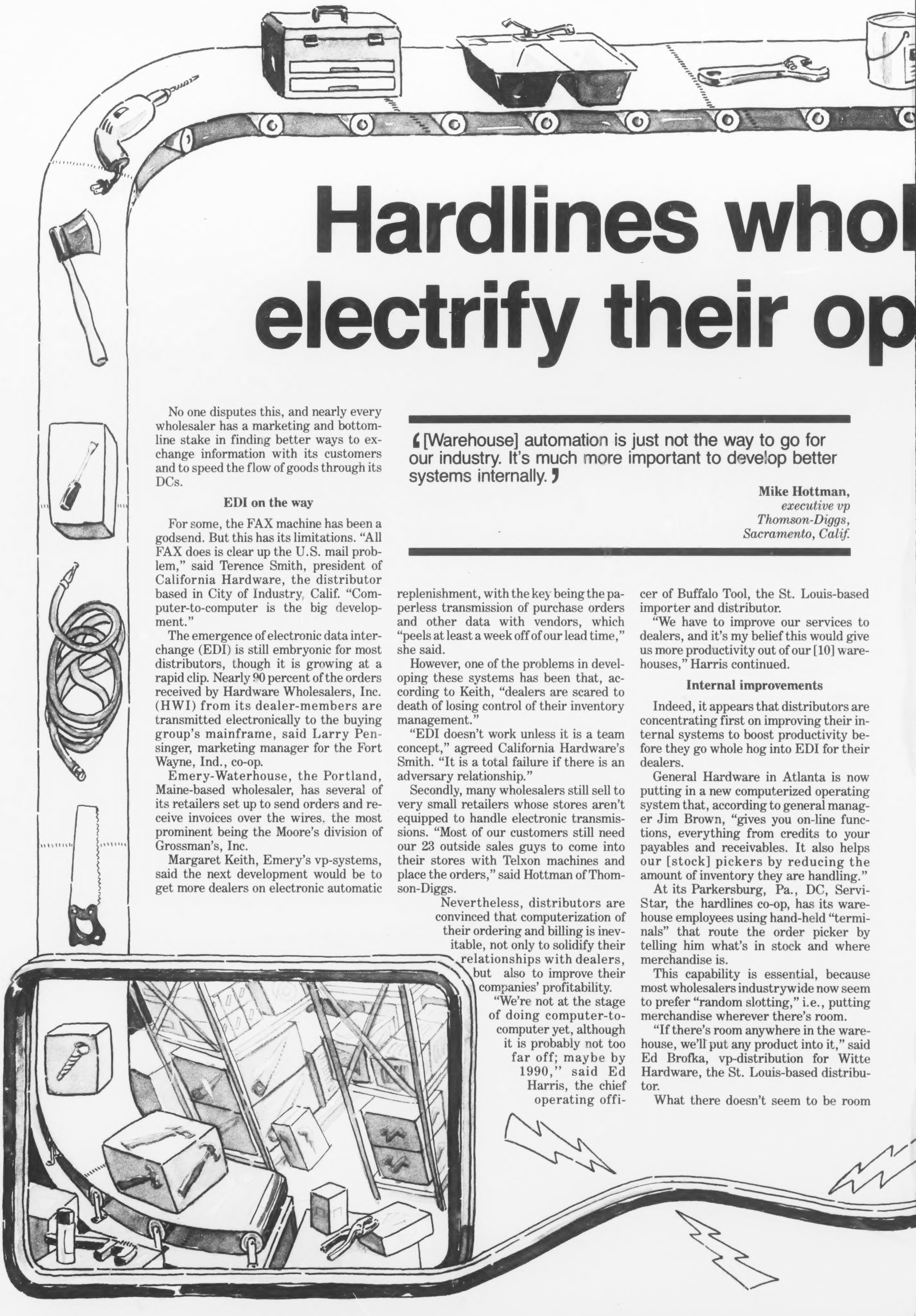

Hardlines whol electrify their op

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>
> **Mike Hottman,**
> *executive vp*
> *Thomson-Diggs,*
> *Sacramento, Calif.*

No one disputes this, and nearly every wholesaler has a marketing and bottom-line stake in finding better ways to exchange information with its customers and to speed the flow of goods through its DCs.

EDI on the way

For some, the FAX machine has been a godsend. But this has its limitations. “All FAX does is clear up the U.S. mail problem,” said Terence Smith, president of California Hardware, the distributor based in City of Industry, Calif. “Computer-to-computer is the big development.”

The emergence of electronic data interchange (EDI) is still embryonic for most distributors, though it is growing at a rapid clip. Nearly 90 percent of the orders received by Hardware Wholesalers, Inc. (HWI) from its dealer-members are transmitted electronically to the buying group’s mainframe, said Larry Pensinger, marketing manager for the Fort Wayne, Ind., co-op.

Emery-Waterhouse, the Portland, Maine-based wholesaler, has several of its retailers set up to send orders and receive invoices over the wires. the most prominent being the Moore’s division of Grossman’s, Inc.

Margaret Keith, Emery’s vp-systems, said the next development would be to get more dealers on electronic automatic replenishment, with the key being the paperless transmission of purchase orders and other data with vendors, which “peels at least a week off of our lead time,” she said.

However, one of the problems in developing these systems has been that, according to Keith, “dealers are scared to death of losing control of their inventory management.”

“EDI doesn’t work unless it is a team concept,” agreed California Hardware’s Smith. “It is a total failure if there is an adversary relationship.”

Secondly, many wholesalers still sell to very small retailers whose stores aren’t equipped to handle electronic transmissions. “Most of our customers still need our 23 outside sales guys to come into their stores with Telxon machines and place the orders,” said Hottman of Thomson-Diggs.

Nevertheless, distributors are convinced that computerization of their ordering and billing is inevitable, not only to solidify their relationships with dealers, but also to improve their companies’ profitability.

“We’re not at the stage of doing computer-to-computer yet, although it is probably not too far off; maybe by 1990,” said Ed Harris, the chief operating officer of Buffalo Tool, the St. Louis-based importer and distributor.

“We have to improve our services to dealers, and it’s my belief this would give us more productivity out of our [10] warehouses,” Harris continued.

Internal improvements

Indeed, it appears that distributors are concentrating first on improving their internal systems to boost productivity before they go whole hog into EDI for their dealers.

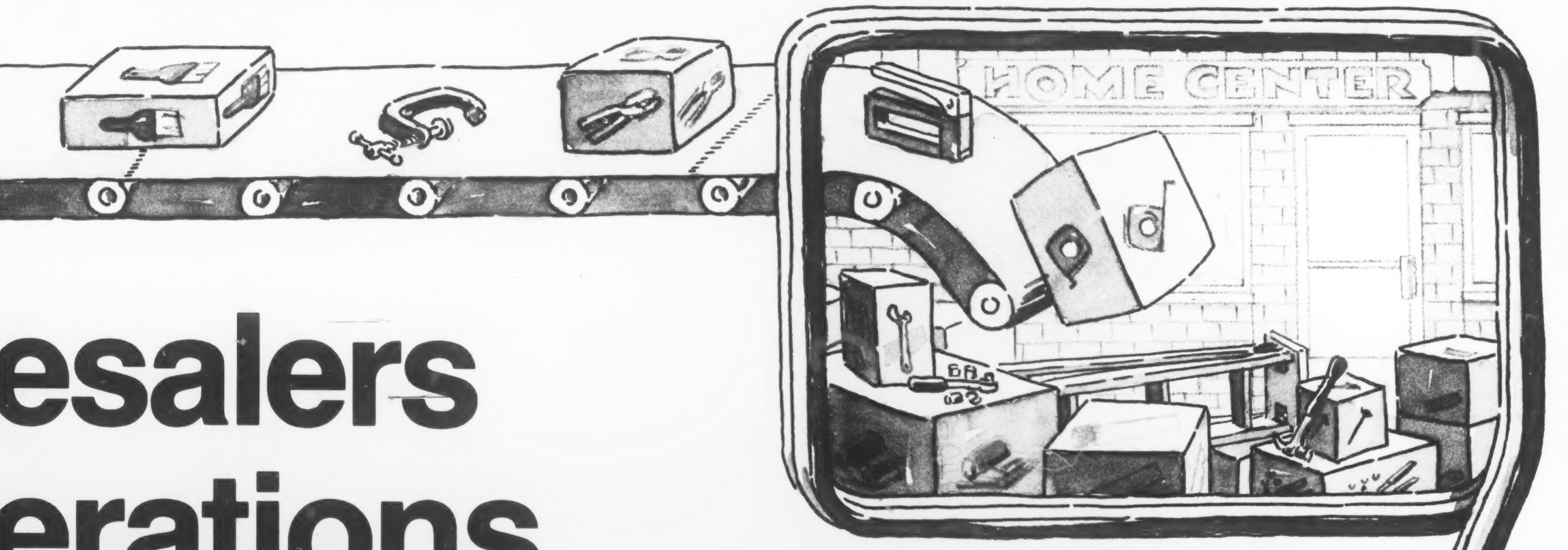
General Hardware in Atlanta is now putting in a new computerized operating system that, according to general manager Jim Brown, “gives you on-line functions, everything from credits to your payables and receivables. It also helps our [stock] pickers by reducing the amount of inventory they are handling.”

At its Parkersburg, Pa., DC, Servi-Star, the hardlines co-op, has its warehouse employees using hand-held “terminals” that route the order picker by telling him what’s in stock and where merchandise is.

This capability is essential, because most wholesalers industrywide now seem to prefer “random slotting,” i.e., putting merchandise wherever there’s room.

“If there’s room anywhere in the warehouse, we’ll put any product into it,” said Ed Brofka, vp-distribution for Witte Hardware, the St. Louis-based distributor.

What there doesn’t seem to be room



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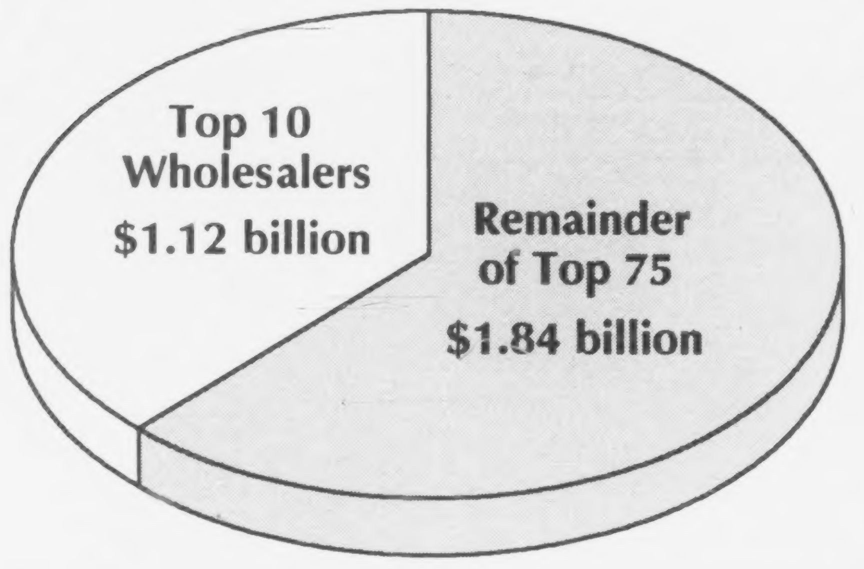


Top 75 Hardlines Wholesalers Total $2.96 billion

The Top 75 Hardlines Distributors saw their sales rise 7 percent to $2.944 billion in 1988. The industry's Top 10 wholesalers captured nearly $2 out of every $5 generated in this sector, although these companies' sales growth over 1987 was slower than the total.

The average wholesaler saw a marginal increase in its number of active accounts, and there appeared to be very little changed among the distributors polled in the number of items they offered out of warehouse.

for, though, is the kind of automated, computerized warehouse that one can find in other industries, such as those serving supermarkets.

Break packs impede automation

Part of the problem for hardlines distributors is that they continue to handle so much bulk and loose products, which make automation impractical.

> For a lot of what [hardlines distributors] sell, people can still handle the product faster than machines.
>
> **Jim Brown,**
> *general manager,*
> *General Hardware,*
> *Atlanta*

"For a lot of what we sell, people can still handle the product faster than machines," said Brown of General Hardware.

This was made clear at ServiStar's Westfield, Mass., DC, which includes 16 high-rise stacker cranes each run by a single operator, and an extremely advanced conveyor system that sorts products and moves them into loading areas for shipping.

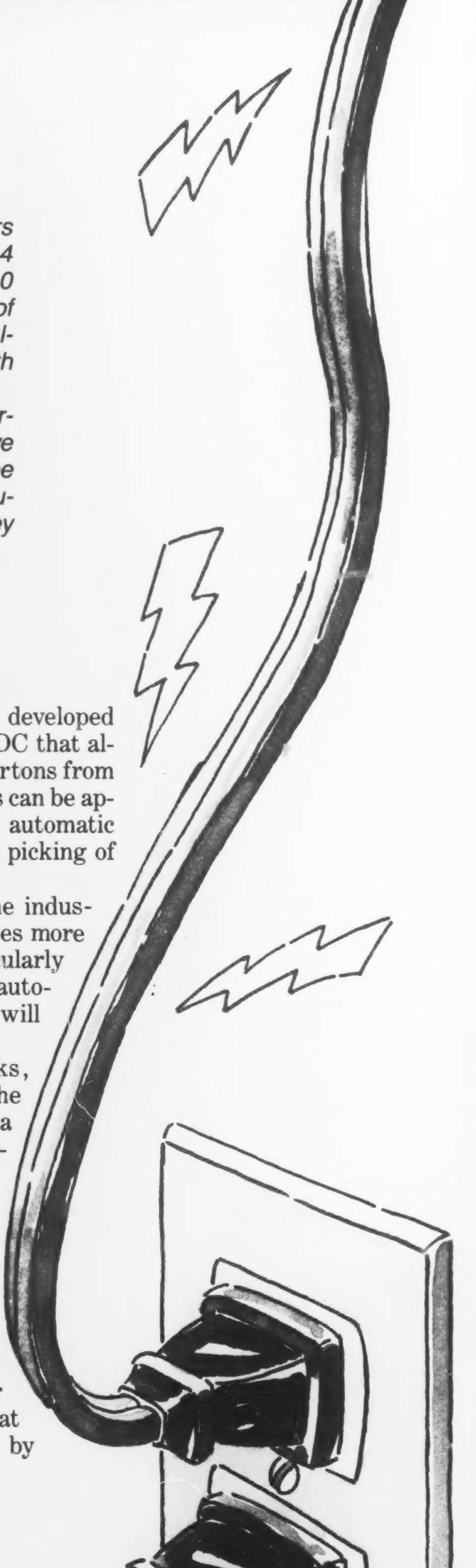
The Butler, Pa.-based co-op found this facility was "too sophisticated," according to senior vp-operations Al Jeveret, particularly for the 70 percent of ServiStar's 41,000 skus that are regularly handled from break cartons, or for the non-conveyable items such as patio furniture.

Consequently, as it modernizes its DCs in Westfield, Butler and Charleston, Ill., ServiStar has compromised with a multi-leveled model in which conveyable products can be transported to a sorting area where their bar codes are scanned and then sent to a loading area where these items are merged with non-conveyable products handled manually. These are grouped by dealer and truck route.

Like ServiStar, Witte—with more than 2½ miles of conveyor in its 400,000-square foot warehouse—has developed four case-pick modules in its DC that allow its people to either pick cartons from full pallets, on which bar codes can be applied for laser scanning and automatic sorting, or separate areas for picking of non-conveyable merchandise.

It is the belief of some in the industry that as bar coding becomes more universally accepted, particularly on shipping cartons, that automated picking and sorting will be more prevalent.

There are some drawbacks, though. Forty-nine percent of the inventory carried by California Hardware has Universal Product Code stickers. But, said Smith, the wholesaler's president, another one-quarter of its products "is not eligible for UPC for any number of reasons, such as being too bulky." But of those products California carries that do lend themselves to bar coding, Smith believed that 85 percent would be coded by mid-summer.



ANNUAL CENSUS

HARDLINES WHOLESALERS

Consolidation shakes up hardlines industry

Consolidation continued among hardlines wholesalers in 1988 as companies expanded their existing customer base and territories.

- American Hoist & Derrick, the parent company of **Farwell Ozmun & Kirk,** purchased the wholesale buying group **CoastAmerica.** The Minnesota company moved its headquarters to Denver and changed its name to Amdura Corp. Amdura also purchased the Rhode Island independent **Globe Distributors.** The company now supplies 1,600 stores in 40 states, 600 through FOK's Trustworthy stores program and 1,000 through the Coast to Coast operation;
- **Grip-Rite,** which by *NHCN* estimates is the industry's largest independent full line hardlines wholesaler, agreed to be purchased by Sequoia Supply, the building materials distributor based in Irvine, Calif. Combined, Sequoia and the White Plains, N.Y.-based Grip-Rite, would be a $425 million company with 43 distribution centers. The deal is expected to be completed this month;
- **Blish-Mize,** the Atchison, Kan.-based hardlines wholesaler purchased the wholesaling division of **Dutton Lainson** in Hasting, Neb.;
- **House-Hasson Hardware,** the $50 million Knoxville, Tenn., company, purchased **Paris Dunlop Hardware,** based in Gainsville, Ga.;
- Halmar, a company based in East Long Meadow, Mass., acquired **Ralar Distributors** of Plainview, N.Y., which generated $52 million in sales, in November 1987;
- **Fries Beall & Sharp** will close its distribution facility in Springfield, Va., this month, mostly in response to the decision by one of its key retail customers, Hechinger, to buy more direct. However, FBS will continue as a marketing entity under the auspices of its parent, the Portland, Maine-based **Emery Waterhouse;**
- **George Worthington,** the Mentor, Ohio, distributor, emerged from Chapter 11 through a strong public relations effort and a resilient sales force. It held its first buying show in October and stated that it had only lost 15 percent of its business during its bankruptcy, mostly by maintaining strong vendor relations;
- On the other side of the coin, **Wyeth Co.,** the St. Joseph, Mo., distributor, teetered on the brink of bankruptcy and has spent most of the past several months warding off creditors. However, the company continues to operate;
- As always, there were several important personnel changes of note in hardlines wholesaling last year. Two of the more prominent were the retirement of Warren Goldberg, **United Hardware Distributors'** long-time president, who was replaced by executive vp Homer Taylor; and Joseph Wildman, who became the new president of **Amarillo Hardware** in Texas, replacing Ed Vogt, who retired.

Hardlines distributors seek out new niches to stay competitive

By Elizabeth Brent

This spring, the Farwell Ozmun & Kirk division of Amdura, one of the industry's largest hardlines wholesalers, will offer its first building materials circular.

This is typical of what independent hardlines distributors are doing to establish new market niches for themselves at a time when competition is everywhere, from the aggressive co-ops to building materials wholesalers looking to get their piece of the hardlines pie by forging alliances with hardware distributors.

New programs in merchandising, promotion and computerized inventory management flooded the industry in 1988, as wholesalers fought to capture whatever market share they could grab.

Some distributors say they are gearing up for what could be very rough sledding over the next several months if the anticipated recession kicks in. One company president quipped that things have been so bad lately that it seemed credit managers were running retailers' businesses.

Consequently, some wholesalers are seeking out new business with industrial customers, with the government or with major new accounts such as Sears. American Wholesale Hardware in Long Beach, Calif., is targeting Disneyland as a customer; Hardline Marketing in Milwaukee has done "tremendous business" supplying hardlines to supermarkets.

Any additional business is welcome in a climate in which getting new business is a struggle, and where huge sales gains are becoming rare. Average annual volume increased for the 75 leading hardlines wholesalers tracked by *NHCN* to around 10 percent in 1988. These companies generated an aggregate $2.94 billion last year.

However, the dilemma many wholesalers face is how they can develop new niches to remain competitive while, at the same time, exacting more money out of dealers to pay for additional services.

Different marketing tacks

This niche marketing can take many forms. For some distributors, it has meant an expansion of their product assortment, particularly into the uncharted areas of building materials, just to keep up with the co-ops. Many of the top wholesalers increased their sku count, some by as much as 15 percent.

> ‘What I see happening is the evolution of full-line wholesalers like us into a kind of hybrid, where you're not a co-op, but you're 'unbundling' a lot of your services and costs.’
>
> —**Eugene Anderson,** *vice president, American Wholesale Hardware*

For other distributors, niche marketing simply means quicker response to changes in the field.

Take, for example, the Florida-based independent that sells to such companies as Pergament, Payless Cashways and Lowe's.

This wholesaler, which requested anonymity, bumped its sales up by $8 million in 1988, and was able to sign on West Building Materials and 84 Lumber as customers in part because of upgrading its product mix to include contractor-oriented lines. One example saw this distributor begin carrying Schlage Lock's professional line of locksets.

For other distributors, niche marketing has meant providing dealers the wherewithal to modernize. Witte Hardware, the St. Louis-based wholesaler whose sales rose 9 percent last year, gives dealers interest-free loans so they can purchase hand-held electronic ordering machines that can transmit data to Witte's mainframe computer over telephone lines.

Witte also offers a lumber brokerage service and has seen its sales of lumber and building materials grow 15 percent this year.

"We're trying to convince dealers to be more loyal- . . . and limit who they buy from so we are able to offer them more services," said Neil Marglous, Witte's president.

Computer linkage stressed

Witte's activity illustrates two areas—computerized order entry and commodities distribution—where hardlines distributors have been concentrating their efforts.

Nearly all distributors contacted for this year's census issue said their companies were investigating the development of electronic links among wholesaler, dealer and manufacturer (*see other story*).

However, this has been an arduous process, mostly because dealers have either been slow to experiment with such linkage, or their businesses still don't warrant this level of sophistication, at least in their minds.

(Continued on page 17)

Vendors eye fashion to spark slow electricals sales

Dealers continue to find creative ways to propel sales in the slow but steady electricals category.

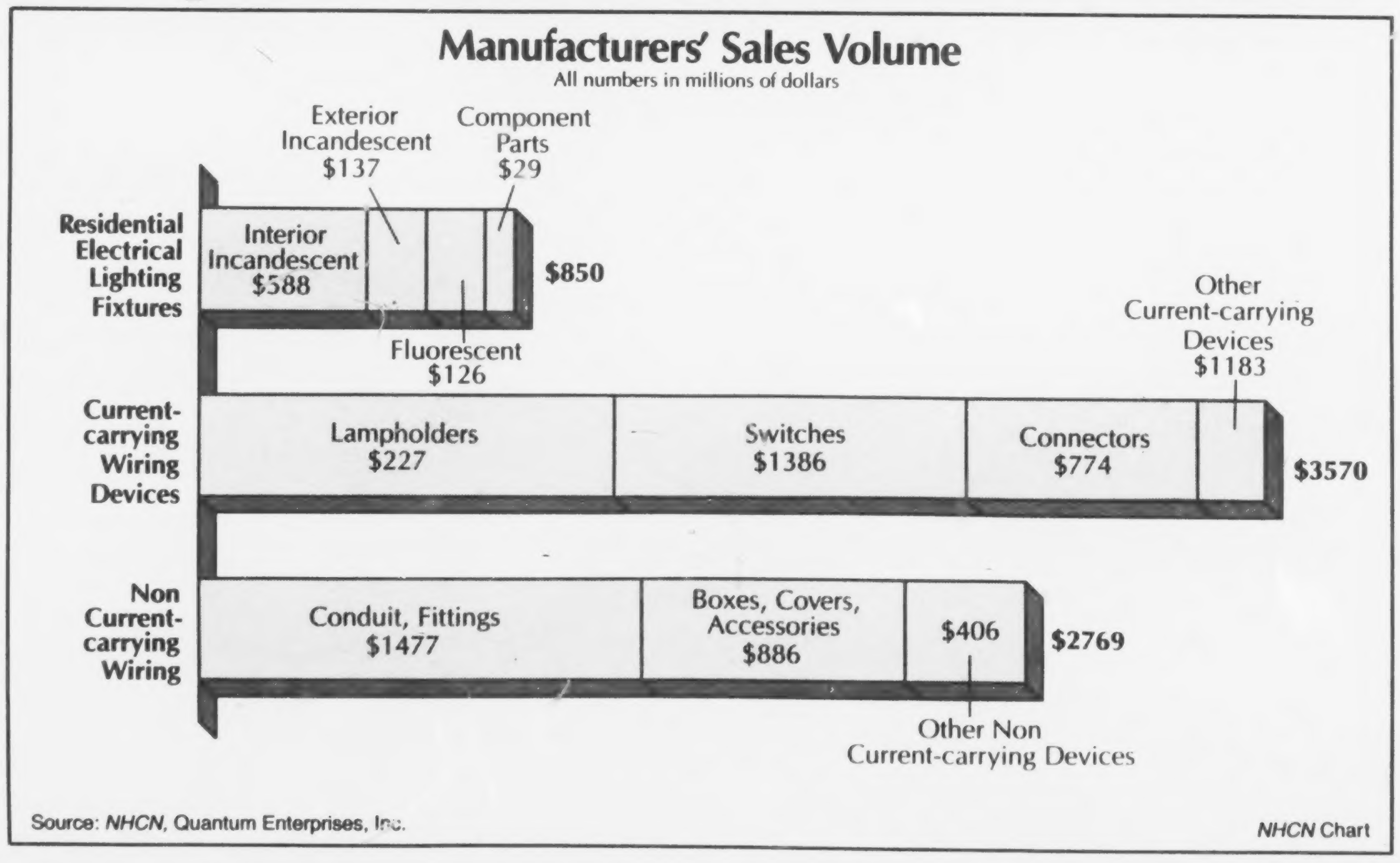
New technology has helped the growth in home control devices and surge suppressors. But vendors are now emphasizing fashion for the replacement market, from decorator switch plates to color-coordinated extension cords.

Manufacturer electrical sales increased industry wide by around 3 percent in 1988 and similar increases are predicted for this year, according to research produced for *NHCN* by Quantum Enterprises, a Middletown, N.J.-based company.

Raw material shortages and price hikes in PVC resin, brass contacts and copper tempered the market in 1988. However, since December these costs have balanced out as falling copper prices have compensated for increasing PVC prices. The outlook for 1989 remains uncertain, but vendors suggest normal inflationary rises.

The intense fight for shelf space has begun, as all types of electrical vendors try to expand their markets. Some retailers are dropping suppliers who cannot offer the full line of products. Woods Wire, for example, has expanded from the cable business into home controls and is now niche-marketing certain items.

(Continued on page 20)



Manufacturers' Sales Volume

All numbers in millions of dollars

Source: *NHCN*, Quantum Enterprises, Inc.

NHCN Chart

Hardlines distributors seek new niches as competition heats up

(Continued from page 14)

Over the past 18 months, Farwell Ozmun & Kirk (FOK) has persuaded only 12 of its estimated 600 Trustworthy dealers to install its new RETSYSCO point of sale system, even when the wholesaler offers financing and servicing assistance.

"They fought the advance from cigar box to electronic cash register," lamented John Wilson, manager of retail systems at FOK. "The industry is slow to react to technological change."

It should be said, however, that quite a few wholesalers have only recently begun offering this kind of electronic linkage. And many were enthusiastic about the prospects of employing this new technology, especially in conjunction with expanding use of bar coding. General Hardware, in Atlanta, for instance, is selling dealers a computer program to tie in with them on a long-term basis.

Growth in commodities

While computerization for many wholesalers might still be in the future, moving into the building materials side of the business is very much in the present.

Innumerable hardlines wholesalers told *NHCN* that they expanded the commodities selection being offered either out of their warehouses or through drop shipment.

One example is FOK, which, in a new telemarketing effort, contacts its major accounts on a biweekly basis and has recently expanded its mix to include garage doors, insulation and roofing.

Hardlines wholesalers are taking this road mostly out of competitive necessity. The hardlines co-ops last year billed their dealer-members for more than $1 billion for commodities shipments, and have been luring more business away from independents with this service.

In addition, many building materials distributors have expanded their reach into hardlines through mergers or marriages of convenience with hardlines wholesalers. The two most prominent examples of this were the Coast-America-Builder Marts of America merger, and the proposed merger between California-based building materials supplier Sequoia Supply and Grip-Rite, the industry's largest full-line hardlines distributor.

Who pays?

This move toward adding building products is just another facet of the service package wholesalers are using to differentiate themselves from competitors.

Most would agree with John Mize, the president of wholesaler Blish-Mize, that the way to win a dealer's heart is to "kill them with service." But this expansion into new products and services is not cheap, and it appears that wholesalers are no longer willing to foot the bill alone.

In fact, a clarion call was sounded by Shel Gendelman, the president of Hardware Marketing in Milwaukee, who said about dealers' demands for more services: "Tell us what you want and we'll tell you how much it costs. We've got to control our own expenses."

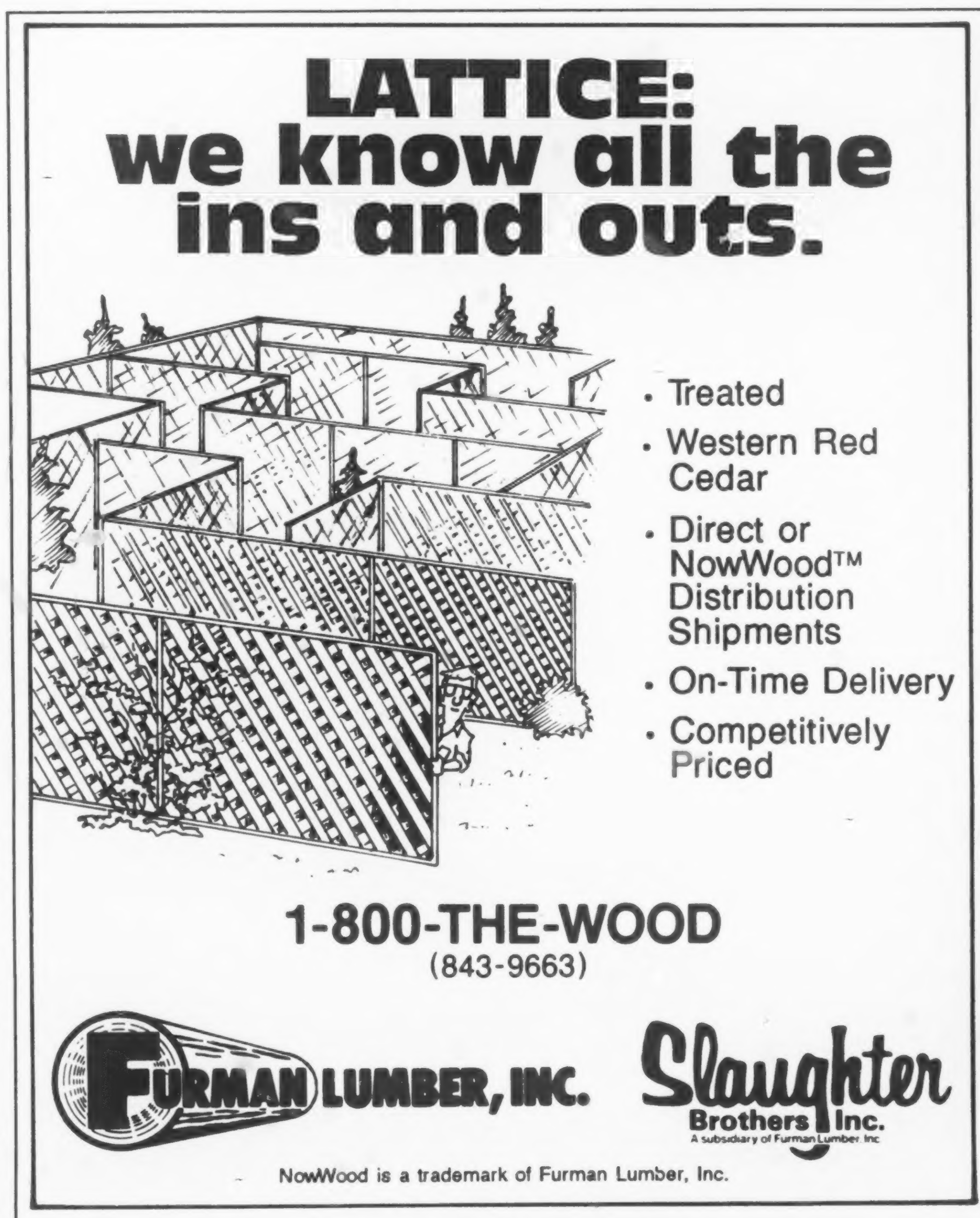
Eugene Anderson, a vice president with American Wholesale Hardware, echoed this sentiment. "What I see happening is the evolution of full-line wholesalers like us into a kind of hybrid, where you're not a co-op, but you're 'unbundling' a lot of your services and costs, breaking them out for dealers to choose from."

It is indisputable that dealers are turning to wholesalers for help in almost every aspect of their businesses. This is particularly true on the advertising and promotion side, as evinced by the growth in wholesaler programs.

Witte Hardware has had a 12 percent increase in use of its circulars already this year, and its circulation increased from 3.3 million in 1987 to 3.5 in 1988, said Marglous. Amarillo Hardware, the Texas-based distributor, now has four major promotional efforts a year, covering Lawn and Garden, Paint, Building and Plumbing and the Farm and Fence.

The real question is whether dealers are willing to pay more for an *a la carte* kind of hardlines distribution, or will turn elsewhere—direct shipment or other methods of inventory receipt—for their products.

In many ways, the fate of hardlines distributors will be in the skill with which they market not only their products and services, but the payment for them.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HARDLINES WHOLESALERS

Vendors eye fashion to spark slow electricals sales

(Continued from page 14)

There is still room for items giving high return, such as the new value-added extension cords with extra storage or safety features. A popular add-on sale is the new fan support light accessory which allows dealers to recoup what have been slumping margins in ceiling fan sales.

The shelf space crunch has increased as home centers try to carry both the hard wiring devices for the serious DIYer and the replacement and fashion goods for the female shopper.

"In the future, home centers have to make the fundamental decision who their customer is," said Tom Breslin, marketing director at Leviton. "Now with the warehouses pursuing the trade customer, home centers may not be able to get that business and market the same way."

Home control and safety devices continue to gain ground with new innovations in technology. There are now heat-sensor lights which take a second look to verify the object before switching on the lights, and surge suppressors with audible alarms both in the hardwire and plug-in versions.

Manufacturers are jazzing up the extension cord category with new packaging, fashion items, and added value. The new multi-colored extension cords may encourage dealers to feature the product in the housewares section. In order to overcome the skepticism of some retailers who fear they will be stuck with unappealing colors, Woods Wire is testing its six colors from its Home Design line in select markets to determine which will be the hot sellers.

"The products are very pretty but I don't know how much additional business there is there," said Jerry Edwards, vp-merchandising at Lowe's, the Wilkesboro, N.C-based chain.

Raco and Leviton are two manufacturers grappling with bar coding problems, having received ultimatums from five major chains this year that their products include these stickers. Raco's steel outlet boxes, which often have an oily coating, offer a particular challenge and many of Leviton's products are too small to get the code on.

> "In the future, home centers have to make the fundamental decision who their customer is. Now with the warehouses pursuing the trade customer, home centers may not be able to get that business and market the same way."
>
> —**Tom Breslin,**
> *marketing director,*
> *Leviton*

UPC coding is just one example of how dealers are demanding labor-saving techniques from vendors. Pacific Electricord has introduced new display packs which are shipped directly on the pallet with a simple removable top to reduce handling. Such merchandising aids are ideally suited to the warehouse stores, but are now coming under close scrutiny by traditional home centers.

In a surprising move by a manufacturer of circuit breakers and load centers, Square D began underwriting a new public television show to increase its brand awareness in January. With its co-sponsor, it is spending just under $1 million to underwrite Norm Abrams' "The New Yankee Workshop," which already has five million weekly viewers.

Square D is also launching a new sweepstakes promotion in the stores which features life-size posters of Abrams and a chance to win one of the hutches made in the show and to visit a shoot.

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ANNUAL CENSUS

HARDLINES WHOLESALERS

Top 75 hardlines wholesalers in the industry

Rank 1988	Rank 1987	Company Name	Annual Sales $ Millions		% Change 1987-1988	Number of Distribution Centers		Number of SKUs offered		Avg. Inventory carried at DC in $ Million		Number of Active Accounts		Number of Trucks		Number of Employees	
			1988	1987		1988	1987	1988	1987	1988	1987	1988	1987	1988	1987	1988	1987
1	1	**Grip-Rite International,** White Plains, N.Y.[1]	210.0	200.0	5	16	15	4,000	4,000	30	27	10,000	10,000	55	55	250	250
2	2	**General Hardware,** Atlanta	142.0	142.0	0	4	4	36,000	36,000	22	23	2,500	2,500	82	82	600	NA
3	3	**Farwell, Ozmun, Kirk & Co.,** Denver[2]	136.0	113.0	0	3	3	35,000	35,000	24	NA	1,700	1,700	0	0	500	500
4	4	**Orgill Brothers,** Memphis*	110.0	100.0	10	7	7	45,000	45,000	NA	NA	10,000	10,000	72	72	NA	NA
5	5	**Moore-Handley,** Birmingham, Ala.	100.0	98.0	2	2	2	27,700	30,800	10.7	10	2,700	2,700	60	65	440	534
6	6	**Emery-Waterhouse,** Portland, Maine	96.0	88.0	9	3	3	29,600	28,000	7.9	7.6	1,200	1,200	21	21	432	417
7	7	**California Hardware,** City of Industry, Calif.	91.0	77.0	18	1	1	39,000	39,000	12	13.5	850	850	34	34	304	304
8	8	**L.G. Cook Distributing** Grand Rapids, Mich.	90.0	75.0	20	1	1	18,000	18,000	14	12	1,350	1,200	25	21	250	240
9	9	**Masback Hardware,** North Bergen, N.J.	77.0	70.0	10	2	2	28,000	28,000	NA	NA	1,500	1,500	24	21	300	300
10	11	**Witte Hardware Corp.,** St. Louis	75.0	68.5	9	1	1	30,000	30,000	10	10.2	1,500	1,218	45	42	200	200
11	10	**Decatur Hopkins Co.,** Tauton, Mass.	75.0	70.0	7	1	1	23,000	23,000	9	8.5	1,500	1,500	14	14	NA	NA
12	12	**Jensen-Byrd Co.,** Spokane, Wash.*	71.0	65.0	9	1	1	40,000	38,000	9	9	1,700	2,000	13	9	260	NA
13	15	**Monroe Hardware Co.,** Monroe, N.C.[3]	65.0	59.0	10	3	3	26,000	26,000	NA	NA	3,500	3,500	45	43	375	375
14	16	**Nuway Distributors,** Baltimore*	63.0	57.0	11	14	14	20,000	20,000	NA	NA	6,600	6,400	0	0	200	200
15	13	**Frederick Trading,** Frederick, Md.	63.0	63.0	0	1	1	35,000	36,000	12	NA	2,400	2,400	45	NA	400	400
16	14	**RKB Enterprises,** Elmira, N.Y.	60.0	60.0	0	1	1	31,000	30,000	8	8	1,200	1,200	15	14	338	300
17	17	**Ralar Distributors,** Plainview, N.Y.[4]	52.0	52.0	0	1	1	7,500	7,500	5	NA	700	700	NA	NA	150	150
18	23	**George Worthington Co.,** Mentor, Ohio	51.0	42.0	21	1	1	32,000	32,000	6	7	900	900	NA	NA	220	220
19	22	**Baumrin Bros.,** Jacksonville, Fla.	50.0	42.0	19	2	2	18,000	18,000	10	10	1,000	1,000	0	0	225	225
20	20	**House-Hasson Hardware,** Knowxille, Tenn.	50.0	45.0	11	1	1	34,000	31,000	6	6	1,200	1,200	22	22	200	200
21	37	**Empire Distributors,** Inc., Grandville, Mich.	48.0	27.0	78	2	3	15,000	15,000	6	5	2,200	1,700	16	10	112	69
22	19	**Bacar, Inc.,** San Jose, Calif.	48.0	45.6	5	1	1	13,000	13,000	NA	NA	1,300	1,300	5	5	250	225
23	18	**Bostwick-Braun Co.,** Toledo, Ohio	48.0	47.0	2	1	1	38,000	37,000	6.1	6.7	1,100	1,100	14	15	202	201
24	25	**Wallace Hardware,** Morristown, Tenn.*	40.0	37.0	8	1	1	28,000	25,000	6	5	2,300	2,000	23	21	185	180
25	26	**Blish-Mize Co.,** Atchison, Kan.	38.0	37.0	3	2	2	35,000	35,000	7	7	1,500	1,200	29	25	185	185
26	34	**Honsador,** Ewa Beach, Hawaii	36.0	28.0	29	3	3	3,800	3,500	8	7	3,500	3,500	13	12	96	89
27	33	**Kruse Hardware,** Cincinnati	35.0	29.8	17	2	1	25,000	24,000	5	5	800	800	20	20	175	170
28	21	**Allied International,** Janesville, Wis.	35.0	44.0	−20	4	6	11,000	11,000	10	10	NA	NA	NA	NA	156	170
29	28	**Amarillo Hardware,** Amarillo, Texas	34.0	32.0	6	1	1	34,000	34,000	5.9	6.5	3,600	3,400	24	22	195	202
30	24	**Panic Distributors,** Columbus, Ohio	34.0	40.0	−15	2	2	8,000	8,000	7	7	50	50	8	8	NA	275
31	30	**American Wholesale Hardware,** Long Beach, Calif.	33.0	30.0	10	1	1	33,000	33,000	6.6	6.6	1,200	1,200	8	8	150	150
32	29	**Mid-Am Building Supply,** Moberly, Mo.	32.4	31.1	4	4	4	3,500	3,200	2	1.2	NA	NA	12	12	70	65
33	27	**Barnstable County Supply Co.,** W. Barnstable, Mass.	30.5	35.0	−13	2	2	6,000	6,000	2.3	2.3	300	300	10	12	50	50
34	42	**Sunshine Industries,** Cleveland	30.0	24.0	25	1	1	14,500	14,000	NA	NA	1,500	1,500	4	4	NA	NA
35	41	**S&T Wholesale Hardware,** Jeffersonville, Ind.	30.0	25.0	20	1	1	27,000	27,000	5	5	1,200	1,000	14	14	170	170
36	35	**New Holland Supply,** New Holland, Pa.	30.0	28.0	7	1	1	13,500	13,000	4.5	4.5	4,500	4,100	13	13	115	110
37	32	**Brown-Rogers-Dixson,** Winston-Salem, N.C.	30.0	30.0	0	3	3	15,000	15,000	4	4	2,000	2,000	40	40	150	150
38	36	**Spicola Hardware,** Tampa. Fla.	27.0	27.0	0	1	1	35,000	25,000	2	2	2,500	2,000	15	15	90	90
39	49	**Fries Beall & Sharp,** Springfield, Va.[5]	26.0	18.0	44	1	1	5,000	20,000	5.1	3	50	50	6	10	100	100
40	43	**Hardline Marketing,** Milwaukee	25.9	23.5	10	1	1	21,000	19,000	NA	NA	2,000	2,000	5	4	112	92
41	40	**CC Distributors,** Corpus Christi, Texas[6]	25.6	25.0	2	1	1	22,800	21,800	2	1.7	420	380	7	7	92	90
42	38	**South States, Inc.,** Shreveport, La.	25.2	25.0	1	2	2	14,000	13,000	5.5	5.2	1,200	1,200	18	17	142	150
43	39	**The W.H. Kiefaber Co.,** Dayton, Ohio	25.0	25.0	0	7	7	35,000	35,000	4.5	4.5	200	200	20	20	160	160
44	45	**Hall & Knight Co.,** Lewiston, Maine	22.5	20.5	10	1	1	35,000	35,000	4.5	4	2,500	2,500	9	9	125	115
45	44	**Heusinger Hardware,** San Antonio, Texas	21.1	22.0	− 4	1	1	15,800	17,000	5.7	5.3	1,496	1,500	18	18	104	107
46	48	**Buttery Hardware,** Llano, Texas	20.0	18.0	11	1	1	21,000	21,000	NA	NA	700	700	10	10	NA	NA
47	47	**West Texas Wholesale Supply,** Abilene, Texas	20.0	18.5	8	1	1	28,000	30,000	5.4	5.8	2,000	2,000	11	11	97	127
48	46	**Budrow & Co.,** Santa Fe Springs, Calif.	20.0	20.0	0	1	1	22,000	22,000	NA	NA	300	300	4	4	60	60
49	31	**Wyeth Co.,** St. Joseph, Mo.	20.0	30.0	−33	1	2	25,000	25,000	NA	NA	1,500	2,000	25	25	100	150
50	50	**Nelson-Roanoke Corp.,** Roanoke, Va.	19.0	18.0	6	1	1	22,000	22,000	3.5	3.5	2,000	2,000	20	20	125	130
51	53	**Henderson & Baird Hardware,** Greenwood, Miss.	18.0	16.0	13	1	1	13,500	13,000	3	2.8	1,200	1,200	30	30	74	78
52	51	**Southwest Hardware Co.,** Phoenix, Ariz.[7]	18.0	17.0	6	1	1	26,000	26,000	4	4	350	340	7	7	65	70
53	52	**Builders Hardware Supply Corp.,** Seattle	17.0	16.8	1	2	2	30,000	30,000	NA	NA	5,000	5,000	3	3	100	100
54	56	**Wright & Wilhelmy Co.,** Omaha, Neb.	16.0	14.0	14	1	1	28,000	27,000	3.25	3.25	1,200	1,200	14	14	100	95
55	55	**Summers Hardware,** Johnson City, Tenn.	16.0	15.0	7	1	1	28,000	28,000	NA	NA	900	850	14	14	122	120
56	54	**Garehime Corp.,** Brisbane, Calif.	16.0	15.0	7	1	1	15,000	15,000	2.5	2.5	800	800	2	2	60	58
57	61	**Charles McMurray Co.,** Fresno, Calif.	15.2	12.6	21	2	2	8,000	9,000	3.2	2.8	200	300	2	2	50	50
58	59	**Watters & Martin, Inc.,** Norfolk, Va.	14.5	13.0	12	1	1	20,000	18,000	3.5	3.5	700	700	9	8	100	100
59	63	**Yakima Hardware Co.,** Yakima, Wash.	14.0	12.0	17	1	1	26,000	26,000	NA	NA	700	700	NA	NA	NA	NA
60	60	**Wilco Supply,** Oakland, Calif.	14.0	12.6	11	1	1	28,000	28,000	3.5	3.5	3,500	3,500	0	0	65	NA
61	57	**Buhrman-Pharr,** Texarkana, Ark.	14.0	14.0	0	1	1	12,000	12,000	4.8	4.8	2,200	2,200	17	16	105	107
62	67	**Sheffield Hardware,** Americus, Ga.	13.0	11.0	18	1	1	24,000	24,000	1.25	1	1,200	1,200	8	8	90	90
63	58	**Pyramid Products,** N. Kansas City, Mo.	13.0	13.0	0	1	1	24,000	24,000	3	3	3,600	3,600	3	3	60	60
64	64	**Zork Hardware Co.,** El Paso, Texas	12.5	12.0	4	1	1	27,000	30,000	4	3.6	1,000	1,000	8	8	80	105
65	66	**George Wetterbeet & Co.,** Detroit	12.0	11.5	4	1	1	15,500	15,500	2	2.4	400	400	3	3	55	55
66	65	**Morse Hardware,** Bellingham, Wash.	12.0	12.0	0	2	2	28,000	28,000	NA	NA	400	400	2	2	NA	NA
67	62	**Mutual Distributors,** Honolulu	12.0	12.0	0	1	1	14,000	13,000	3.5	3	600	550	8	7	65	55
68	70	**Charles J. Smith,** Jersey City, N.J.	11.0	10.0	10	1	1	8,000	8,000	NA	NA	630	630	4	4	30	30
69	69	**Blackstone Supply,** Providence, R.I.	11.0	10.4	6	1	1	15,000	15,000	2.3	2.4	400	375	5	5	45	45
70	68	**Feltus Brothers Hardware, Inc.,** Natchez, Miss.	11.0	11.0	0	1	1	21,000	21,000	2.2	2.2	972	972	18	18	53	53
71	74	**Becknell Wholesalers,** Lubbock, Texas	10.0	8.4	19	2	1	21,500	19,000	1.8	1.5	2,200	2,000	5	5	72	58
72	71	**C.H. Miller Hardware Co.,** Huntingdon, Pa.	10.0	9.3	8	1	1	16,000	16,000	2.3	2.3	480	480	7	7	86	86
73	75	**Wagner Hardware,** Mansfield, Ohio	9.0	8.0	13	1	1	19,000	19,000	1.3	1.2	800	800	6	6	49	49
74	76	**Biscayne Electric & Hardware,** Miami	9.0	8.0	13	1	1	22,000	20,000	NA	NA	600	600	5	5	60	60
75	72	**Clark Hardware,** Nashville, Tenn.	9.0	8.8	2	1	1	19,000	19,000	2	2	600	600	6	6	65	65
		Totals	2,963.4	2,750.9	7							128,548	126,045			10,863	10,236
		Averages			8.0	2.0	2.0	22,562.7	22,417.3	5.0	4.3	1,714	1,681	16	15	145	136

*NHCN estimate

[1] Grip-Rite has agreed to merge with Sequoia Supply, Irvine, Calif. Deal is expected to be completed this month.

[2] Farwell, Ozmun Kirk's parent company, Amdura, moved FOK's headquarters to Denver from South St. Paul, Minn.

[3] Monroe Hardware includes sales from Smith Hardware, Goldsboro, N.C.; and Mitchell-Powers Hardware, Bristol, Tenn.

[4] Ralar Distributors was purchased in November 1987 by Halmar Industries, East Meadows, Mass.

[5] Fries, Beall & Sharp will close its warehouse facility this year, but will continue to exist as a marketing arm of parent Emery-Waterhouse.

[6] CC Distributors sales total includes an estimated $20 million in business from government contracts.

[7] Southwest Hardware Co. is owned by The O'Malley Cos., Phoenix

"Full line" refers to those companies that are wholesaling the following product categories: hardware, fasteners, electricals, lighting, plumbing, bath products, hand and power tools, lawn and garden hardware, and paint sundries.

NHCN chart

Hardlines wholesalers enjoyed only modest sales growth in 1988. And this industry segment is becoming more concentrated, as the top 10 chains now account for nearly two-fifths of the volume generated by the top 75 distributors in the industry. However, numerous companies reported improvements in their profitability last year, despite intensified competition. As the above chart shows, the sheer number of accounts being serviced by the wholesalers listed indicates that a huge segment of their sales is coming outside of retailing from such avenues as industrial-/commercial and the government.

ANNUAL CENSUS

HARDLINES WHOLESALERS

The Top Hardlines Co-ops

Rank	COMPANY	SALES Total sales ($ mil.)		% chg.	Lumber & Building mat'ls as % of sales		STORES Dealer stores		No. of home centers		HC sales as % of total		INVENTORY ANALYSIS No. of warehouses (tot. sq. ft.)	Min./max. inventory ($ mil.)		Stock keeping units		Sales to inventory ratio		% of sales from drop shipment		CHARGES % charges to dealers out of: • warehouse • pool relay • drop ship		EMPLOYEES No. of employees	
'88		'88	'87		'88	'87	'88	'87	'88	'87	'88	'87	1988	'88	'87	'88	'87	'88	'87	'88	'87	'88	'87	'88	'87
1	**Cotter & Co.** Chicago	**2,004**	1,854	8.1	**6.0**	6.0	**8,000**	8,000	**1,600**	1,600	**35**	30	15 (6 mil)	**280**	236	**37,000**	32,000	**6.9**	6.0	**41.0**	41.0	**5-15** **6** **0-2**	5-15 6 0-2	**3,700**	3,700
2	**Ace Hardware** Oak Brook, Ill.	**1,382**	1,198	15.4	**7.3**	4.6	**5,073**	5,010	**2,000**	1,950	**41**	41	14 (5.5 mil)	**158-198**	135-179	**42,000**	39,000	**4.7**	4.7	**24.6**	26.7	**10** **6** **1-2**	10 6 2	**2,741**	2,477
3	**ServiStar Inc.** Butler, Pa.	**1,120**	1,040	7.7	**41.2**	42.2	**3,700**	3,725	**1,559**	1,502	**62**	60	6 (2 mil)	**75-100**	87-106	**41,000**	35,700	**5.0**	4.5	**21.1**	20.1	**5-15** **6-10** **0-3**	5-15 6-10 0-3	**1,375**	1,279
4	**Hardware Wholesalers Inc.,** Fort Wayne, Ind.	**1,001**	885	13.1	**35.0**	35.0	**2,765**	2,750	**1,650**	1,650	**50**	50	5 (1.9 mil)	**62-70**	61-74	**38,000**	35,700	**15.1**	13.0	**50**	50	**NA** **NA** **NA**	NA NA NA	**738**	736
5	**CoastAmerica** Denver	**416**	352	18.2	**NA**	NA	**1,170**	980	**980**	980	**NA**	NA	3 (1.1 mil)	**70**	50	**35,000**	35,000	**NA**	NA	**10**	10	**NA** **NA** **NA**	NA NA NA	**1,200**	1,112
6	**Our Own Hardware** Burnsville, Minn.	**139**	126	10.3	**18.0**	17.0	**1,200**	1,200	**475**	475	**40**	40	2 (800,000)	**15-21**	15-21	**35,000**	35,000	**5.0**	5.0	**35**	33	**7-11** **6** **2**	7-11 6 2	**350**	350
7	**United Hardware Distributors,** Minneapolis	**95**	92	3.3	**5.0**	5.0	**565**	550	**30**	30	**5**	5	1 (420,000)	**10-15**	10-15	**37,000**	37,000	**5.9**	5.9	**13.3**	13.3	**2-11** **2-5** **1**	2-11 2-5 1	**270**	272
8	**Handy Hardware** Wholesalers, Houston	**55**	47	17.0	**3.0**	4.0	**628**	620	**NA**	NA	**1**	1	1 (200,000)	**6.5-7.7**	5.9-6.7	**24,700**	20,000	**8.0**	7.0	**23**	23	**9** **5** **1**	9 5 1	**121**	131
9	**Connecticut Hardware** Cromwell, Conn.	**11**	12	-8.3	**0.0**	0.0	**58**	62	**4**	5	**10**	5	1 (35,000)	**1.8-2.0**	1.9	**15,000**	25,000	**5.2**	5.5	**35**	23	**NA** **NA** **NA**	NA NA NA	**15**	12
	Totals	**6,223**	5,606	11.0			**23,159**	22,897	**8,298**	8,192															
	Averages	**691**	623	11.0	**13**	13					**27**	26				**33,856**	32,711	**6.0**	6.0	**28**	27				

Source: *NHCN* research

Total dealer count includes those with dual membership.

The top hardlines co-ops billed their dealers for more than $6.2 billion in 1988, much of that coming from the distribution of lumber and building materials through intermediary wholesalers working in unison with the co-ops.

In addition, the largest four co-ops made major commitments to their product assortments last year, with most increasing the items being offered out of warehouse.

These sales gains were remarkable given the fact that the buying groups are selling to a dealer universe that, for all intents and purposes, is not growing.

Co-ops gain ground in industry but vary in their growth patterns

Over the past five years, the hardlines co-ops have assumed a dominant role in the expansion of the home improvement industry.

But an evaluation of the statistical performance of the nine buying groups during this period shows that the growth patterns among these companies vary markedly in such areas as sales, dealer and employee productivity, and product mix.

As the two accompanying charts show, the revenues of the nine co-ops increased from 1983 to 1988 by an aggregate 64 percent to $6.223 billion. But comparing the individual companies finds ServiStar—with a 150 percent sales jump over this period—Hardware Wholesalers, Inc. (HWI) and Ace Hardware were on a much faster track than their competitors. Cotter & Co., the industry's largest co-op, has, by this criterion, underperformed, even if one takes into account that Cotter has a much higher sales base.

The co-ops' sales growth is unquestionably attributable to the increased productivity of their dealer-members which, in no small measure, results from the programs developed by their buying groups. This closer-knit relationship has found dealers purchasing a much greater percentage of their total inventory through the co-ops: In 1983, an average dealer bought $181,305 from his co-op; that figure soared by 48 percent to $268,708 last year.

By way of comparison, Cotter's dealers, on average, bought $250,500 through its 15 DCs last year; Ace's $272,422, ServiStar's $302,703, CoastAmerica's $355,555 and HWI's $362,025.

One reason explaining these differences could be that HWI and ServiStar claim to be getting a much higher percentage of their total volume from home improvement centers as opposed to pure hardware stores.

In addition, these two co-ops have been in the forefront of developing their lumber and building materials programs, which are low-cost generators of sales for the co-op (because most of the product is drop shipped to dealers), and generally mean the dealer being serviced is a higher-volume unit by nature.

Coast's performance as well could be explained by its recent alliance with the Builder Marts of America commodities buying group.

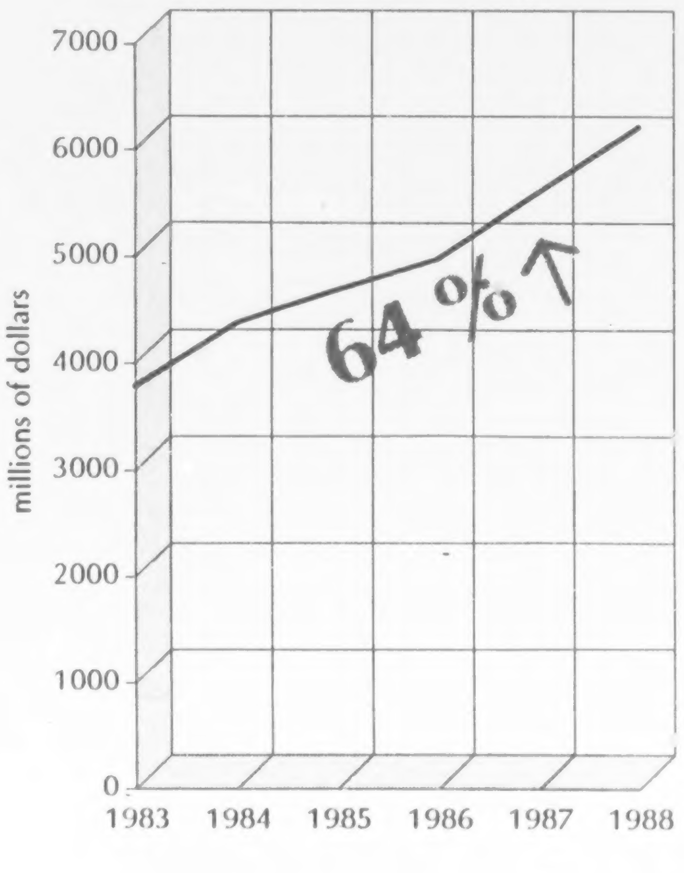
Indeed, the trend towards expanding their commodities business found many of the co-ops expanding their product assortment over the past five years, and especially in 1988. While the top four did most of the product adding—on average, they increased their sku count in 1988 by 3,900 items, or 22 percent—even a smaller co-op like Handy Hardware Wholesale boosted its item count by more than 23 percent to 24,700 items.

There also appeared to be a stronger capital investment being made by the co-ops to support their customers, both in inventory and people. Over the past five years, the co-ops, on average, have increased their inventory at cost almost 55 percent. Cotter, which has added four more DCs to the market during this period, has seen its inventory levels growing more than 75 percent to $280 million.

In addition, the manpower at these companies has also grown over this half-decade by 23 percent to an aggregate 10,510. Ace's workforce has jumped 53 percent to 2,741; ServiStar's by 56 percent to 1,375.

Company	1983 Total sales	1983 Co-op sales per dealer	1988 Total sales	1988 Co-op sales per dealer	% change
Cotter & Co.	1,459	208,429	2004	250,500	20
Ace Hardware	801	182,045	1382	272,423	50
ServiStar	448	117,892	1120	302,703	157
HWI	558	223,200	1001	362,025	62
CoastAmerica	300	265,018	416	355,556	34
Our Own	101	96,190	139	115,833	20
United	82	148,551	95	168,142	13
Handy Hardware	38	86,364	55	87,580	1
Connecticut	7	134,615	11	189,655	41

Total Hardlines Co-op Sales



% Growth 1983 to 1988	
Cotter	37
Ace	73
ServiStar	150
HWI	79
CoastAmerica	39
Our Own	38
United	16
Handy	45
Conn.	57

Hardlines Co-ops break through the $6 billion mark

Cotter & Co. posts record $2 billion in sales for last year

With a few days remaining in 1988, Cotter & Co. became the first U.S. hardware cooperative to break $2 billion in sales.

It was also a year of substantial growth for the 40-year-old cooperative. From its first major push into lumber and building materials back in late 1986, Cotter boosted the number of home centers it serves 7.5 percent in the year among its 8,000 member base (including V&S Variety stores). Cotter likewise followed suit in 1988, holding its first winter buying show for lumber and building material members.

To accommodate that growth, Cotter boosted the aggregate inventory levels in its 15 distribution facilities by 18 percent to $280 million; stockkeeping units rose 15.6 percent to 37,000 items, mostly in building products, according to Paul Fee, Cotter's executive vp.

The company is anticipating sales increases of 10 percent in 1989, which would bring it to $2.2 billion.

Ace addresses regional concerns through advertising

Last year saw Ace Hardware Corp. begin a "regionalization" effort to bring corporate management here closer to the dealers in the field.

Part of the regionalization effort in 1988 involved making Bill Loftus, vp of sales and marketing, the new vp of the Eastern region. Paul Ingevaldson, former vp of operations, became vp of the Western region.

The program was started as an effort by Ace to customize advertising and merchandising more to regional needs, as well as to permit more local and area-specific buying.

This year, Ace has already started building a new distribution center in Gainsville, Ga., which should be operational by next year. The co-op also announced plans to build two new distribution centers—one each in central Indiana and Arizona—over the next three years.

According to communications director Mary Plancer, 277 of Ace's dealers' stores were remodeled to the co-op's "Store of the Future" concept in 1988. Plancer said the co-op is budgeting for a 9 percent sales increase this year.

ServiStar surpasses buying groups with its marketing plans

The "war" among buying groups is being fought in the marketing and sales departments. And that's why ServiStar had a record-breaking 1988, according to an executive here.

The basic distribution function is simple and "everyone does that right," says Donald Belt, senior vp-sales and marketing at ServiStar, arguably, the fastest growing co-op in the home improvement industry. "The difference is the marketing plans and strategies. That is where the war is won and lost."

Last year saw "rapid expansion" of ServiStar's Operation Turnkey program, as 52 stores opened, while this year Belt predicts 67 new stores will open.

The current fiscal year marked the expansion of this co-op into the west by signing up the 43-unit Lampert Lumber and the 103-unit United Building Centers.

In June, ServiStar will hold its first lawn and garden show for New England owners.

HWI reaches its first billion-dollar sales year in 1988

Coming off its first billion-dollar sales year, Hardware Wholesalers Inc. (HWI) reported higher rebates to dealers but maintained a 3.6 percent cost of operations.

(Continued on page 32)

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Smoke Detector
PERSONAL PROTECTION
Personal Alarm
Intrusion Alarm
Remote Light Controller

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ANNUAL
CENSUS

HARDLINES WHOLESALERS

Rank			Total Sales $ Millions			# of Wholesalers		Affiliated dealers Total customers		% of home centers		Wholesaler Warehouses		Aggregate Inventory ($mil)		# SK US		Employees		Advertising Corporate Wholesaler	
'88	'87	Company Name	1988	1987	% ch.	1988	1987	1988	1987	1988	1987	1988	1987	1988	1987	1988	1987	1988	1987	1988	1987
1	1	Liberty Distributors, Des Plaines, Ill.	**1,000**	930	7.5	**27**	23	**2,863/ 20,000**	2,850/ 22,000	**25**	25	**45**	50	**135**	142	**32,000**	32,000	**48**	47	**4.5mil./ NA**	4.0mil./ 1.2mil
2	2	Associated Building Materials, Scottsdale, Ariz.	**900**	819	9.9	**51**	51	**NA**	NA	**85**	85	**87**	83	**183**	175	**NA**	NA	**3**	3	**NA**	NA
3	4	Pro Hardware * Stamford, Conn.	**725**	615	17.9	**16**	15	**5,000/ 14,000**	5,000/ 14,000	**35**	35	**23**	22	**125**	105	**24,000**	24,000	**17**	17	**1.2mil./ 3.3mil.**	1.2mil./ 3.0mil.
4	3	Sentry Hardware Des Plaines, Ill.	**720**	650	10.8	**15**	15	**5,700/ 5,700**	5,700/ 5,700	**NA**	NA	**22**	22	**150**	150	**29,000**	26,000	**19 NA**	17 NA	**10mil./**	7mil./
5	5	Reliable Hardware Wholesalers Arlington Heights, Ill.	**575**	457	25.8	**44**	35	**0/ 16,525**	0/ 16,525	**32**	32	**45**	36	**89**	83	**19,500**	19,500	**6**	6	**NA**	NA
6	6	Allied Hardware Services,** Chicago	**360**	325	10.8	**30**	30	**0/ 18,500**	0/ 18,500	**23**	20	**32**	31	**70**	70	**22,000**	22,000	**5**	5	**265,000/ 265,000**	240,000/ 240,000
7	7	ValTest Distributors Chicago	**325**	320	1.6	**41**	37	**1,000/ 6,600**	1,000/ 6,600	**19**	15	**46**	43	**44**	41	**13,500**	13,500	**10**	9	**75,000/ 200,000**	75,000/ 200,000
8	8	Associated Hardware Buyers, Gainesville, Ga.	**150**	130	15.4	**20**	21	**NA**	NA	**NA**	NA	**25**	25	**NA**	NA	**NA**	NA	**4**	4	**NA**	NA
		Totals	**4,755**	4,246		**244**	227					**325**	312								
		Averages	**594**	531	7	**31**	28			**27**	27	**41**	39								

* Includes sales from United Hardware Distributors
** Merged with Pro Hardware, January, 1989

Marketing groups expand through consolidation

By Tom Bagsarian

Last year may be remembered as the year wholesaler marketing groups hooked up across the nation.

There was also an international flavor to these groups' marketing, as Val-Test, the Chicago-based organization, signed on its first Japanese wholesaler.

Six of the top eight wholesale marketing groups posted higher sales in 1988 over the previous year and collectively they grew 4.7 percent over the 1987 totals, to $4.557 billion, from 244 member wholesale distributors.

Since it is no secret dealers and suppliers are going through a consolidation, it should come as no surprise that some wholesaler marketing groups followed their lead in 1988.

For the second year in a row, Pro Hardware, the Stamford, Conn.-based group, grabbed the most attention, particularly with its merger with Allied Hardware of Chicago, which became effective Jan. 1.

This move gives Pro a wider distribution network, while at the same time, Allied wholesalers can take advantage of major vendor discounts that they missed out on previously due to Allied's smaller size.

Pro also struck an affiliation agreement in January with Nuway Distributors, the 14-facility wholesaler out of Baltimore, and, earlier last year, with Handy Hardware Wholesalers, the 628-member hardlines co-op based in Houston. Through this latter deal, member-dealers will have access to more vendors than before, according to Tina Kirbie,

(Continued on page 44)

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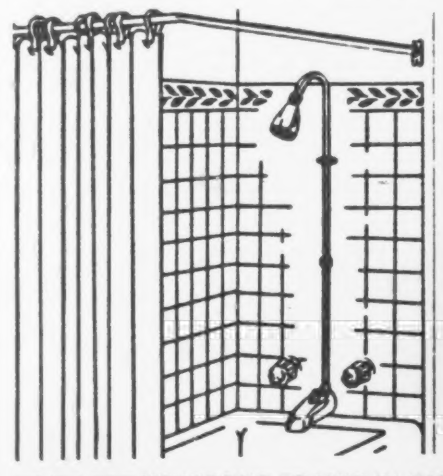

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ANNUAL CENSUS

HARDLINES WHOLESALERS

(Continued from page 27)

Last year, the industry's fourth largest hardlines co-op announced the conversion of the 200th dealer store to its Do-it Center marketing and merchandising concept. By year end 1989, HWI plans to introduce new and upgraded features to the four-year-old concept, according to Mike McClelland, executive vp.

In addition, since its introduction in early 1988, HWI more than doubled the number of dealers on its Dataphone order entry system.

This year HWI plans to increase its presence in southern California (it signed its first dealers there a few months ago) and, with the opening of a DC in New England, the East Coast market.

Coast boosts its position in the hardlines industry

Founded CoastAmerica Corporation, this hardlines buying group was acquired last fall by Amhoist Corporation—now called Amdura—and has helped make Amdura the "largest publicly held hardlines distributor in the U.S.," according to company officials.

"This will be a year of integration," said Amdura spokesman Scott Ross, explaining that each of the entities' individual strengths will be combined. Beefed up circular and TV advertising is planned.

CoastAmerica had a confined distribution network before being acquired, he said, noting that among its dealer stores were Wickes Lumber and those aligned with Builder Marts of America. "With our new strength, we can give quicker service to more customers."

Among the key benefits to consolidating, he said, is that each of the three entities can avail itself of nine distribution centers; in the past they had only three apiece.

Our Own seeks to expand influence in the U.S. and Texas

"We want to be a major supplier in the central U.S. and Texas," said Steve Saefke, vp-merchandising/advertising for Our Own Hardware, the Burnsville, Minn.-based hardlines co-op.

The brevity and focus of that goal are also reflected in the advice Our Own gives to its member stores: "Find a niche and then fill it," said Saefke.

To enable that, the distributor is looking to increase the number of stockkeeping units and the related price margins in ad circulars, and refine its product catalogue.

Our Own has also turned its primary warehouse in Burnsville into a satellite facility, while placing more emphasis on a second warehouse in Ottawa, Kan.

This year will also see an expansion of the "Rent It" program, under which Our Own sells a tool rental franchise to retailers. The distributor provides the advertising, decor, training and equipment in return for a percentage of gross sales.

Twenty stores are expected to have 800-square-foot Rent It departments by the end of the year.

United Hardware increases dealer membership, sales

United Hardware Distributors bumped its dealer membership up by 15 stores in 1988, and enjoyed a modest sales gain as the buying co-op prepares to enter a new era.

United this year will be run by new management at the top, as its longtime president Warren Goldberg retires. He will be replaced by executive vp Homer Taylor. Merle Heggestad, the company's vp-marketing, has also relinquished some responsibilities and is concentrating on special projects for the co-op.

Aligns with Pro Hardware

The distributor last year also strengthened its marketing hand by aligning with Pro Hardware, the aggressive marketing organization out of Stamford, Conn. United's status as a dealer-owned co-op did not change with this arrangement.

Bob Branton, the co-op's vp-sales and advertising, noted that besides the changes in upper management, United has also started to "look at point of sale" systems more aggressively.

This year, the company is also looking to expand its market reach into "new territories" as a way of sustaining its sales growth.

Handy Hardware's profits soar after boost in economy

Handy Hardware Wholesale survived the depressed Texas economy in 1988, and returned to normal earnings patterns last year, according to company officials.

The co-op incurred lower profits in 1987, when it moved into a new 220,000-square-foot distribution center from its older 92,000-square-foot warehouse.

But that paid dividends last year, as Handy's profits soared by 408 percent, helped by declining operational costs and a revival in the economy in southern Texas and the Houston market.

Despite the increased business, Handy Hardware, intent on cutting costs, reduced the employee count in its warehouse by 12 percent in 1988.

The average value of its inventory rose from $6.8 million to $7.1 million with increased emphasis on plumbing, electrical parts and building materials.

It broadened its plumbing and accessories category by 19 percent, or by 24 percent in dollar volume. It also deepened the electricals offering by 12 percent, the equivalent of 13 percent in dollar value, according to its president, Jim Tipton.

In response to its dealers, the co-op now stocks a wider array of building materials, including roofing products. In addition, this category generated 17.7 percent greater sales in 1988 than the previous year.

Connecticut Hardware begins expansion plans

Last year was one of modernization for the hardlines co-op Connecticut Hardware. This year will be one of expansion.

The buying group began testing a new electronic ordering system for its dealers in late September, supplying them with hand-held MIS PDT-2 machines. This system went completely on-line Jan. 1.

The co-op also took some austerity measures last year, most specifically by trimming its stockkeeping unit totals by 40 percent to 15,000, mostly in the area of housewares.

Mogren told *NHCN* that Connecticut Hardware's goal in 1989 will be to increase its 58-dealer membership by 8-to-10 percent, primarily by expanding its coverage into Rhode Island and Fairfield County.

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HARDLINES WHOLESALERS

Raw material costs create flat plumbing parts market

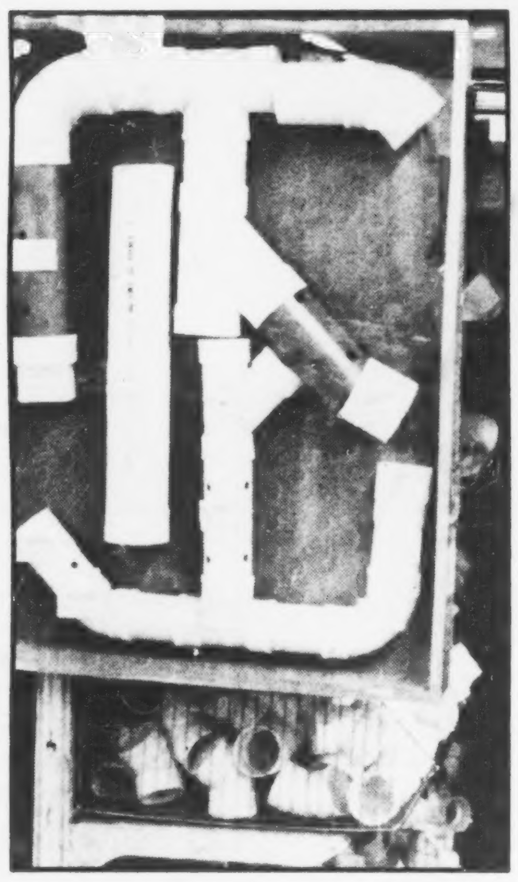
Two words come to mind describing the plumbing parts category in 1988: "disgusting" and Sears.

Raw material costs hiked retail prices some 25 percent last year, to the chagrin of many dealers.

"Prices were disgusting last year," said one of the retail industry's largest volume plumbing parts buyers. The seesaw pricing of plastic components were on the full upswing in 1988. Copper followed suit.

"It was a flat year to pass on price increases, especially in pipe products," said Dwight Van Steenkiste, executive vp of Genova Products, Davison, Mich. Now, Van Steenkiste says, with a drop in much of the cost of resins, some of last year's increases will have to be passed on in 1989. Manufacturers were successful in passing along pipe price increases but unsuccessful in raising the price of fittings in the last year.

Resins for PVC and other plastics rose in price from 35 percent to 60 percent last year, in part because manufacturing here reached capacity and because international markets took more of the European resin capacity normally headed to the North American market.



Raw material costs hiked retail prices 25 percent last year, but it was a flat year to pass on price increases, especially in pipe products. NHCN photo

The weak dollar had a lot to do with the hike in PVC, copper and other metals last year. Foreign demand kept much of the import metal overseas as the price of copper rose from 68 cents per pound in 1987 to nearly double that in the summer of 1988. In addition to increased prices, there were shortages of malleable pipe and basic fittings.

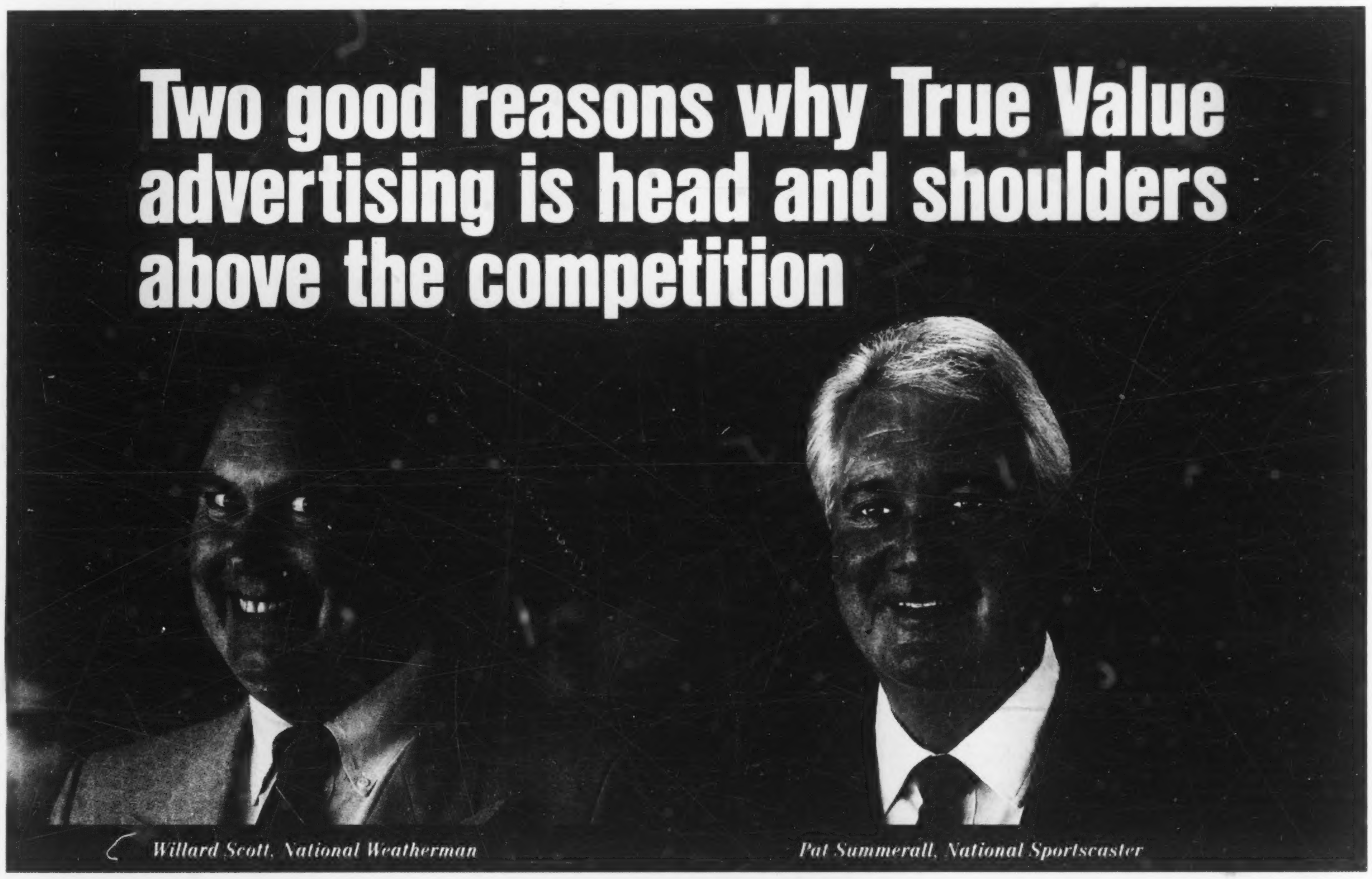
Lead times to retailers should swing back to a normal five to seven days this year, after last summer's 30-day delivery schedules and imposed allocations. There was a short run on pipe toward the end of summer in 1988 as retailers reacted to an "artificial fear of higher prices," Van Steenkiste said.

Even though there's been a movement back to bulk presentation, vendors and retailers moved to more point of purchase and carded DIY information. The continuing effort to educate consumers is an attempt to both demystify plumbing and keep consumers from turning to contractors and taking DIY dollars out of the stores.

Last year also saw Sears, the nation's largest retailer, kick off its branded products experiment with plumbing parts from Chicago Speciality and Brass Craft/Plumb Shop.

Sears' move was an industry shocker and pleasant news for a Chicago-area marketing group, Sentry Hardware. Some of Sentry's 15 wholesalers will supply Sears' burgeoning Paint & Hardware stores with plumbing and heating lines.

The rationale, according to Sears officials, came from Sears' own Installed Home Improvement program, which uses only branded lines. The program continued to grow into 1989 when several long runs of plumbing parts were unveiled at another new Sears offering, Sears Ltd. in Chicago.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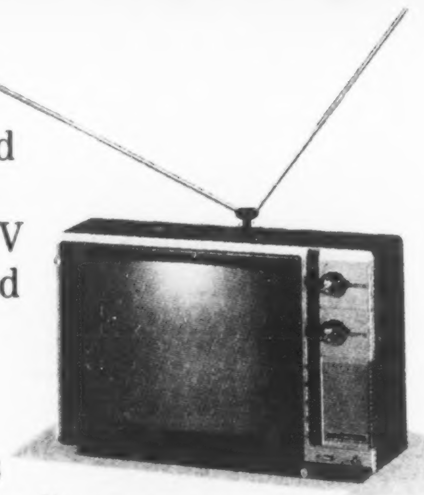

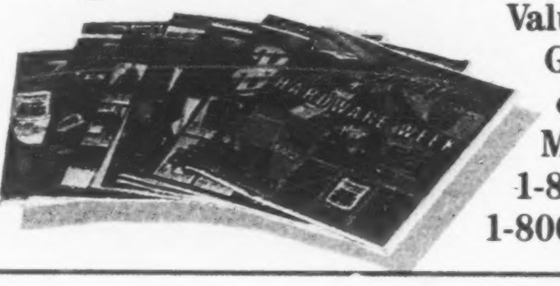

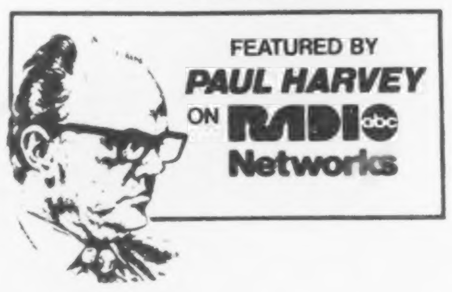

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ANNUAL
CENSUS

HARDLINES WHOLESALERS

Hardware industry grapples with bar coding demands

Greater demand for decorative products found hardware suppliers expanding their lines in 1988, a trend that is expected to continue through 1989.

Hardware suppliers, like the rest of the industry, are also attempting to keep up with the dealer demands for bar coding, not an easy task in a product category that includes lines that traditionally are sold in bulk packs or loose.

Vendors interviewed last month report that sales and profits from their products were strong in 1988, and have been sustained through the first quarter of this year. "January was up 19 percent for us, February, 10 percent and March, 6 percent," said the vp-marketing for one of the industry's top three hardware suppliers. "April's been a little soft, but we expect business to be good through the remainder of the year."

This is one of the few product categories that remains virtually unaffected by competition, primarily because it commands little brand name preference among consumers. "Margins remain strong because this category is not promotable," said the marketing vp for another supplier.

That situation, perhaps surprisingly, is not expected to change as more companies get into decorative—and therefore potentially more promotionally-oriented—hardware lines this year.

"Dealers are unlikely to be carrying more than one or two lines of any vendor's product, and the fact is that hardware is not 'shopped' by consumers," added Jack Gauthier, marketing manager of consumer products for Stanley Hardware.

American Tack & Hardware will this year be coming out with higher-end decorative products made of "new materials" beyond brass, wood or ceramic, according to vp-marketing Joel Weinberg. National Manufacturing, a late comer to this segment, will be coming out with a 50-sku decorative line, with different packaging from its other products, in a few months.

While the hardware category has been robust for vendors and dealers alike, there are some concerns for the remainder of this year. Ron Hughston, a regional marketing manager for Phifer Wire, was one of several vendors who said the pricing on products rose "dramatically" in 1988 because of raw material cost increases, especially in aluminum. Hughston believes that price hikes will be less severe this year.

Weinberg of American Tack saw more of his dealers requesting that products be shipped direct, "which turns the manufacturer into the wholesaler." And McConnell of National Manufacturing said there was a demand among smaller stores that the manufacturer ship in smaller quantities "so they can have the same number of skus, but less inventory," he said.

But perhaps the biggest challenge for hardware vendors will be to keep up with the growing demand by dealers to bar code their products.

The dilemma for many suppliers in this category is historical in nature: dealers still want to sell some items—fasteners, nails, hooks, etc.—in bulk, and "the technology just doesn't exist for us to put a bar code on something that costs 9 cents, and still make a profit," said Gauthier of Stanley. "Retailers have been resistant to change, but there's going to have to be some compromise in the way they sell hardware if they want it bar-coded."

Stanley, in some cases, has returned to poly-bagging its lines. National is working on a program to print modified price tickets which would be large enough to bar code on.

While they grapple with this, hardware suppliers continue to bring new merchandising and marketing ideas to the category. Hager Hinge's successful ad campaign using recognizable sports figures will be expanded this year with a new raft of athletes.

Stanley will introduce a complete line of closet organizers as well as a revised unirack merchandiser and an expanded wire goods program.

Locksets moving into decorative niche

The entry-door lock category is making plenty of news in the home improvement marketplace, especially on the higher-end of the pricing spectrum where manufacturers are developing fashion-oriented products.

Industry sales of locksets are growing at a rate of 6 to 10 percent annually, according to one leading manufacturer. Replacing locksets is one of the top 10 DIY projects. The category generated $550 million in sales nationwide last year, the manufacturer reported.

Locksets are breaking out of their traditional security protection niche, and are being bought by consumers "for aesthetics and first impressions," said San Francisco-based Schlage Lock's marketing manager, Patrick Murphy.

Weiser Lock, a division of Masco Corp. based in Huntington Beach, Calif., is a leader in the decorative lockset upscaling trend.

Bob Pacelli, marketing director, said Weiser Lock's "major emphasis" in 1989 will be on its "Manhattan Collection," a line of European-produced decorator door hardware featuring a black nickel, enamel-baked finish.

Weiser Lock wants to take "locksets out of the commodity business" and into the home security business, said Pacelli. "There is no reason why a retailer should keep discounting locksets."

Pacelli said retailers who sell "higher-priced, value-added" door hardware can obtain gross margins greater than 50 percent.

Schlage Lock is an innovator in the lockset category. The company recently introduced its new Key 'N Keyless home security electronic lockset and deadbolt. Schlage's Murphy described it as a "revolutionary product" in the lockset category.

The lock works with or without a key and fits most existing door holes. With a built-in alarm and user-programmable 2- , 3- or 4-digit entry codes, the lockset features a wireless infrared communication link to activate the deadbolt. The combination keyed entry and deadbolt with alarm lists for $150. It was scheduled to be shipped at the beginning of this month.

Kwikset Corp., a division of Emhart Hardware Group, Anaheim, Calif., introduced a keyed entry leverset last fall. This is "a new addition to our premium lockset line with the removable cylinders for rekeying convenience so you do not have to take the lockset off the door to rekey," said Bill Miller, marketing manager.

In market trends, Kwikset has observed "evidence of the lever coming on strong as a replacement for the knob style," Miller said. "While we see our leverset sales going up, they are not damaging knob sales," he added.

Another lockset manufacturer, Los Angeles-headquartered Weslock, was bought by J.P. Industries Co., Ann Arbor, Mich., in February 1988 and is adjusting its marketing and manufacturing programs, according to a company official.

The official said the company is promoting new graphics on its packaging which was previewed in March at the National Home Center Show in Chicago.

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Circle 28 on Reader Service Card

ANNUAL
CENSUS

HARDLINES WHOLESALERS

Upgrading of K&B market met by fickle consumers

Consumers have demanded more style for their faucet dollar in the last 12 to 18 months. And vendors have promoted more of the decorative and feature-rich lines to retailers almost across the board.

Last year domestic brands began to recapture some of their market share from imports, although most manufacturers have import items in their product assortment, and it is that rare retailer who will stock only domestic faucets in his store.

Sales from the manufacturing end in dollar terms were up an estimated 15 percent over 1987. However, unit sales were flat. Retailers contacted by *NHCN* reported a 15 percent rise in unit sales and a slight increase in dollar volume.

Remodeling sales grow

The reason for the discrepancy between retailers' and manufacturers' dollar sales appears to be caused by fickle consumers. Retailers brought in the decorative and Euro-look kitchen and bath lines two years ago. But much of it, in the $150 to $170 price range, sat on shelves awaiting consumer acceptance.

"Consumers are aware of the variety," explained Len Bottom, Ace Hardware's plumbing merchandise manager, "but they still need an education about all the features" like the high-rise spout or removable sprayer/faucet combinations.

Douglas Rounds, national accounts manager for consumer products at Sterling Plumbing Group, believes a higher average sale price last year was due to an upgrading in both consumer demand and manufacturer output.

"In new home construction, you see a master bedroom with a bathroom suite and a spa. Existing [home improvement] stock doesn't have that but that's what people want," Rounds said. "It's pragmatically justified by consumers who realize that kitchen and bath improvements are the only place to spend money and get it back when you sell the home."

Lending further credence to the upgrading of the market's offering is the appearance of high-end lines supplied by Grohe and other like vendors in the last two years, brands more generally attuned to the high-end contractor and wholesale plumbing supplier.

As always, raw material costs rose last year. Retailers accepted a 5-6 percent price increase, according to Doug Martinez of Price Pfister in California.

Martinez agreed the faucet aftermarket category, in which Price Pfister is settling its niche, is growing at a faster rate than the new construction field. Even while new home construction is down some 34 percent in New England, for example, vendors report increases in remodeling make up for any lost business.

Cutbacks in space and skus

At the store level there were two forces at work last year. First, there's been a widespread decrease in the amount of available shelf space for faucets. And second was the erosion of some designer prices.

Retailers have been looking for more gross margin from valuable shelf space and, at the same time, are looking to pare down suppliers, reports Moen Faucets' vp-sales John Kensey. The other part of the space crunch is the cutting of stockkeeping units in general. Kensey said retailers were overloaded with too many styles of faucet handles, for example, and now both vendors and retailers are trimming their stock.

To meet that shrinkage, some vendors, like Peerless Faucet, redesigned packaging this past year, keeping the product visible either through a plastic shell or package illustration.

In addition, suppliers are urging dealers to use special order merchandisers. Built into the gondola or positioned as a stand-alone unit, the merchandisers present a few real products, a one-to-show presentation, and a complete consumer "wish-book" of products the retailer can have in the store within the span of a week.

On prices, while not widely publicized, manufacturers found offering a quarter of their decorative faucets at prices exceeding $150 was not marketable to retailers anymore. Discounting ensured, and the market share of the decorative lines and Euro-looks fell to a more acceptable 15 percent of sales, while prices are down some $40 at retail.

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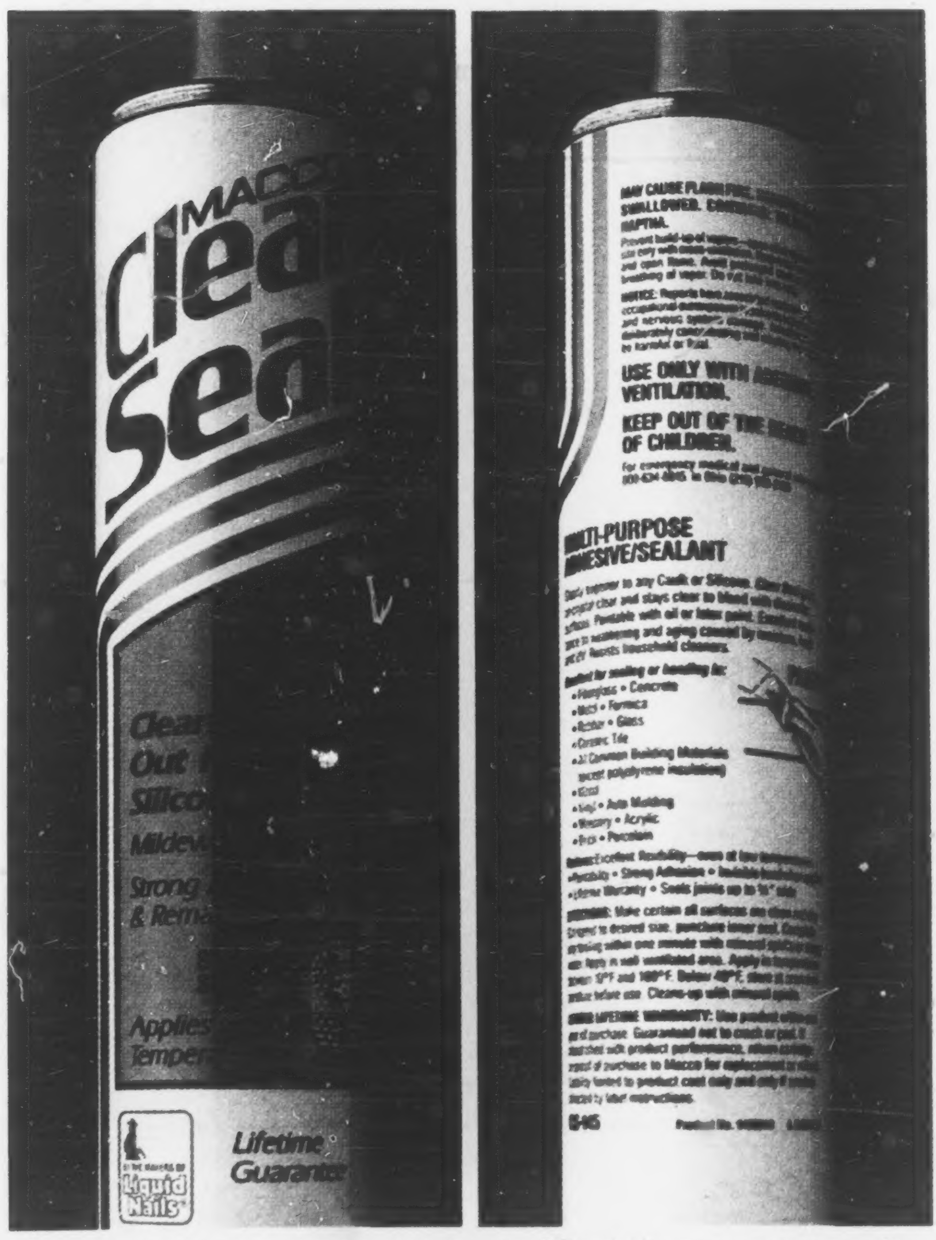

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Circle 31 on Reader Service Card

Water-saving toilets lead the pack in fixtures category

Combine the practicality of low-consumption toilets with the popularity of European design and what you get is a "gangbuster product."

That is how Steve Picker, director of marketing and sales for Eljer Industries, describes the company's Super Water Saver toilet. Produced on the Aqualine label, it went into wide distribution this year.

"It's selling like gangbusters," he said, "surpassing our forecast by literally thousands of units."

Manufacturers say low-consumption toilets are among the hottest items this year in fixtures. Besides Eljer, Kohler, Artesian and Universal-Rundle also report encouraging results from their water-saving models. American Standard plans to introduce its "Aqua Meter" model in Massachusetts in June, according to marketing director John Laughton.

"This is a big, big area," said Steve Ostrolenk, vp-marketing for Universal-Rundle, which has a 1.5 gallon model called the "Atlas."

"European styling" was a catchall phrase used by suppliers to describe many of the new items they're bringing out. The European style, though, has never been clearly defined and is used loosely by manufacturers to convey a more decorative look, according to Ostrolenk, who sums up "European" as "non-conventional chrome." Laughton calls the label "nothing short of meaningless."

Whatever it is, though, European is clearly selling—and not just in toilets.

Porcher, Inc., a French company with a subsidiary in Chicago, reports a growing demand for its "Epoque" sink. Available in wall-mounted and pedestal styles, it embodies "a country French look that consumers can't seem to get enough of," said Donna Cronin, the company's marketing director.

In its new $12 million ad campaign, American Standard is pushing a series of products that would clearly fall into the high-end, European-style category. Among these are cast iron tubs and whirlpools, and the company's new "Roma" suite, which is lined with 24-kt. gold.

Kohler, too, has come out with products that fit the European bill. Its "Pillow Talk" line has a design that suggests stacked pillows, while its "Fleur" line depicts organic, lifelike shapes.

Kohler has brought out its first line of stainless steel sinks and will be competing with such vendors as Elkay on the high end side of the market. Its products come in unusual shapes and are bigger and deeper than conventional models.

In the bath area, perhaps the most convincing evidence of the growing interest in high-end products is the Bootz Plumbingware Co. Based in Chicago, Bootz has produced conventional, low-priced oval bath tubs for 52 years. But this year, it is rolling out a $63 hexagonal-shaped tub, according to sales manager Brenda Pfister.

Clearly, though, water-saving toilets are the fixture to watch this year—especially with more states passing legislation calling for their installation. In March, Massachusetts became the first state to require water-saving models in new bathrooms.

Artesian's "Santa Fe" 1.5 gallon model has performed well in testing and is available in all markets, according to Dick Reese, the company's vp-sales and marketing.

He disputed claims that water-savers don't rinse as well as higher-capacity toilets, saying the Santa Fe has a large water surface area that maximizes sanitary efficiency.

Eljer's model also boasts an "open slotted rim that feeds water to ensure a thorough wash in the bowl."

Laughton of American Standard said the company is slower in getting its model to market because low-consumption does pose design complications and "we want to get it right."

	1984		1988		
Item	**Units** (000)	**$** (000,000)	**Units** (000)	**$** (000,000)	**Sales Growth**
Total Lavatories	**7253**	**231**	**7773**	**347**	**50%**
Cast-iron	632	37	715	51	
Steel (Enameled)	2400	25	1542	22	
Vitreous China	4972	90	3112	146	
Cultured Marble	6502	52	1825	95	
Other plastics	751	27	539	29	
Other materials	—	—	40	4	
Total Bathtub/Wall Surround Units	**3943**	**454**	**3786**	**557**	**22%**
Cast Iron	595	106	594	125	
Steel (Enameled)	1280	81	1096	79	
Plastics	1161	161	2092	350	
Other	907	106	4	3	
Water Closet Bowls	**8332**	**282**	**8240**	**376**	**33%**
Flush Tanks	**8120**	**182**	**7442**	**182**	**0**
One-piece Bowls	**265**	**58**	**398**	**107**	**84%**

Source: *NHCN*, Quantum Enterprises, Inc.

NHCN Chart

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Circle 34 on Reader Service Card

ANNUAL CENSUS

HARDLINES WHOLESALERS

Creative promos key to reviving slow hand tool sales

With some suppliers seeing essentially flat growth in the hand tool category in 1988, dealers can expect different and creative sale techniques this year from vendors.

Hand tool suppliers admit their items lack the glamour often associated with power tools, a category constantly changing due to new innovations and technology.

"This is a pretty conservative, boring business," said one executive with Stanley Tools of New Britain, Conn., who asked not to be identified. "It's not like power tools where you're always getting new products."

Nevertheless, suppliers such as Steve Couch, director of brand management for Cooper Tools, reported a strong sales year in 1988. However, Couch and others also see some dealer trepidation about an encroaching recession that would adversely affect their business.

Consequently, many tool companies are concentrating on expanding their market share—as opposed to creating new business—as a way to sustain growth, said Jeffrey Cowie, sales and marketing director at John Level and Tool of Mequon, Wis.

These suppliers are left with finding other ways to attract shoppers to their merchandise, since they feel that when you've seen one hand tool, you've seen them all.

American Tool, the Lincoln, Neb.-based supplier of clamping tools, had a record 1988. Robert Brady, executive vp of sales and marketing there, attributed their fortunes last year to effective promotions and consumer advertising.

"The market is flat," said Disston's Springstroh. "It's going to take some innovative things to liven the category up."

One thing Disston has already done this year to excite shoppers is present its new Tiger Force line of handsaws in packages with bold four-color graphics to "add some excitement to the package," Springstroh said.

One marketing strategy Johnson Level and Tool used in 1988 and will continue this year was the heavy promotion of kits and packages with several tools in them, instead of individual items.

Johnson Level is counting on its electronic level, which may be ready for this summer's National Hardware Show, to add excitement to the category.

Despite the stagnant growth experienced by some, manufacturers report better-educated consumers are buying upscale higher-priced items.

What DIYers are searching for is more information on the projects they are working on. Through that, they will become more attuned to what's available in hand tools, said the Stanley spokesman.

And in conjunction with consumers' appetite for higher-end products, the influence of imports in this category is apparently waning, much to the delight of American suppliers. "The pressure from imports in letting up a bit," said Springstroh of Disston. "People are generally less satisfied with the quality of imports."

Future growth of cordless power tools hinges on battery recharging systems

Last year saw the introduction of even more cordless products in the power tools category, and the growth of these items will rest on the refinement of battery charging systems.

"More fine-tuning made cordless still a good category," said Dale Elliott, vp and general manager at Dremel, the supplier based in Racine, Wis.

It is generally agreed by manufacturers that the power tool category expanded by between 6 and 9 percent in 1988, and predictions for this year indicate similar growth.

Black & Decker, the Towson, Md.-based supplier, introduced more than 40 new power tools and 600 new accessories in 1988.

Advancements in technology associated with batteries have allowed suppliers to introduce cordless products which provide the user with power and longevity which rival corded items. B&D introduced an 11-cell, 13.2 volt battery which has wattage roughly equivalent to one-quarter horsepower.

At about the same time, Skil, the supplier based in Chicago, came out with a solar-powered battery recharger for its own line of cordless tools.

And this cordless battle should continue. Jim Ippolito, marketing manager at Ryobi, another Chicago-based power tool supplier, believes improvements in battery charging systems should allow charging times to improve from slightly less than an hour to 15 to 20 minutes.

Suppliers agree benchtop tools will be a hot category in the coming months, since these products are becoming lighter in weight and less expensive.

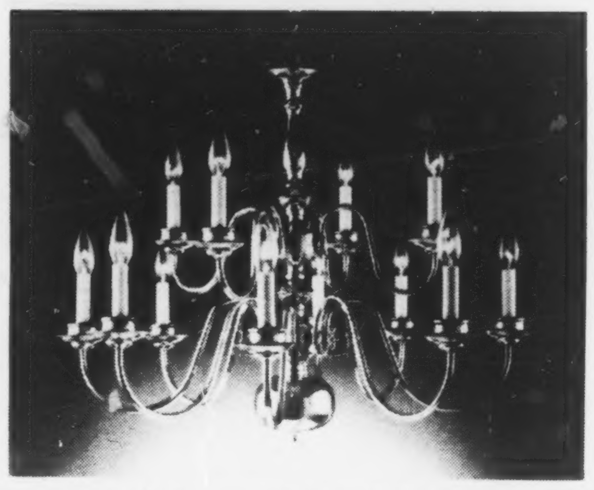
Gary DiCamillo, vp and president for B&D's U.S. power tools group, sees miter saws growing the fastest in benchtop tools, since they are now convenient enough to take to a job site.

Prices on selected items will rise between 2 and 6 percent this year, staying at or below the inflation rate. Rising copper and steel prices, as well as some turmoil in the ball bearing industry, forced the hikes.

Increased product knowledge by end users continued in 1988 and shows no signs of slowing. "The degree of sophistication is improving," said Elliott. "They seem to be shopping around more."

Uncertainty about the economy was on the minds of some suppliers since interest rates are inching upward and new home construction has been lagging in some areas.

Patrick Griffin, vp-sales at Makita U.S.A., said a falloff in new home construction would translate into more remodeling business and, therefore, growth in the power tool category.



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Circle 35 on Reader Service Card

Protecting spotted owl could hurt the timber industry

(Continued from page 1)

timate the job losses in Oregon and Washington will exceed 80,000."

Shortages could be immediate. "Due to the environmental and wildlife protection regulations, an industrywide 10 percent decrease in timber supply is anticipated," read part of a statement from Georgia-Pacific about the decision.

G-P and Weyerhaeuser, which use little public timber, are not as affected as companies such as Bohemia Lumber in Eugene, Ore. Bohemia, operator of 14 mills in the two states, depends on federal sales for as much as 50 percent of its timber. The company, which supplies a number of home center chains including Wickes Lumber and Builders Emporium, believes continued bans mean the closure of at least one sawmill and one plywood mill, according to Bud Stewart, public affairs officer.

Douglas fir shortages

In addition to price hikes, "in the long term some items will be unavailable at any price," such as high-grade Douglas fir specialty items like marine plywood, molding stock and structural lumber, Stewart said.

At retail there may be shortages of Douglas fir and Western plywood in the next year, a number of officials agreed, with larch and Western spruce-pine-fir being the viable, though less desirable substitutes. More Western Canadian spruce could fill the gap.

"Nothing takes the place of Douglas Fir for strength," the main species affected by the sales ban, observed Ed Valpy, vp and buyer for Furman Lumber in Portland, Ore. Valpy said the Western woods situation may be exacerbated when similar habitat questions arise in Arizona (with the Mexican spotted owl) and east Texas (with the red-breasted woodpecker).

The immediate impact on retail lumber will be an increase in prices on both Western and Southern lumber, according to a senior industry executive. He expects short-term price run ups through May but, "after that, there's no demand for ridiculous price levels, primarily because housing starts are down."

Environmentalists buoyed

Due to a number of lawsuits filed by environmental groups and injunctions granted by the Seattle District Court, 160 timber sales have been halted to protect the owl's habitat. A spokesman for the Sierra Club, one of the 16 plaintiffs in the suits, said the injunctions effectively reduce last year's cut by 25 percent to 30 percent.

Injunctions enjoining the timber sales by the U.S. Forest Service and Bureau of Land Management continue through fiscal 1989. The U.S. Fish & Wildlife Service's April 26 decision further strengthens the environmentalists' cause, mill operators and brokers said.

The Fish & Wildlife Service estimates there are 1,500 Northern spotted owl pairs ranging from northern California to southern British Columbia. The U.S. Forest Service spends $5 million a year in spotted owl habitat research, said David Klinger, Portland director of communications for the agency.

The dark brown bird, which is 16- to 19½ inches in height, prefers old growth, which is the most profitable for the lumber industry. While there is no strict definition, old growth generally means 200-year-old trees or fallen trees on the forest floor, according to one mill spokesman.

Bill Arthur, northwest spokesman for the Sierra Club in Seattle, said there are some 8 billion board feet of old growth in Oregon and Washington already sold—an estimated 18 month to 24 month supply—waiting to be cut.

Arthur admitted there would be some impact on mills in the area but set-asides were necessary to "preserve both the timber industry and old growth."

Arthur said the timber industry, undergoing change for the last 12 years, has to utilize more second growth forests.

Les Hagen, president of the 200-unit Wickes Lumber and a former Western mill operator, called on environmentalists and mills to reach accord without courts.

"We do have timber out there and if we cut intelligently, we'll have it for a long time," Hagen said. "The spotted owl is a problem but have to put it in perspective. We can't kill the lumber business in western Washington [because] of an owl."

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Mr. Goodbuys tightens its operations

(Continued from page 3)

replenishment, more items will be pushed through the DC through cross-docking.

Mr. Goodbuys hired Peat Marwick, the accounting firm, to develop a new mathematical formula for determining order levels. It tested this recently by tracking 40 skus through the various cycles. Vanities was one of the product categories it followed through receiving and in-store transfers.

Goodbuys is installing an IBM AS-400 system to replace its System 38 to give it more capacity, and this will be on line in six weeks.

With the new replenishment system in place, Thornton hopes to work 13 weeks ahead, reduce stocking levels, eliminate stock outs and increase inventory turns to four annually. Although the replenishment system could save 20 percent on payroll costs, in the future store-level employees will concentrate on serving the customer rather than stocking shelves.

To enhance Mr. Goodbuys' key areas in kitchens, baths and millwork, it has opened a 22,000-square-foot millwork shop behind its DC. Here, it assembles outsize bow and bay windows, hangs about 800 doors a week and cuts 150 countertops for all stores.

Mr. Goodbuys is planning to add commercial/industrial accounts shortly, based on its strength in kitchen, bath and millwork.

"We have in place all the key elements to make it a success: a wide assortment, credit card and delivery," said Thornton.

It is also updating its older stores, switching from black to grey walls, improving lighting, and adding fixtures to its merchandise displays.

Fine-tuned product mix

In its Grant Avenue store in Philadelphia, it is testing a self-service stock area adjoining the bath department. Here, customers can pick out their own merchandise without help.

In all stores, it has dispensed with some of the fashion and peripheral goods to free up space for an expanded lawn and garden department.

"We still want to be the leader in this area but not go after fashion for sake of fashion. Fashion has its place, but it must make sense," said Thornton.

Five months ago, Mr. Goodbuys cut comforters and bed linens from its linen department, and now only stocks table cloths and towels, which align with the bath department.

Patio furniture has taken the space of linens and is merchandised alongside barbecues and electricals in the stores. This will be replaced with a new Trim-a-Tree department in the winter.

The lawn and garden department has doubled in size to 15,000 square feet, by absorbing the area previously used for patio furniture. The chain expanded its bagged goods and now stocks fertilizers, pesticides and a variety of wood and marble chips.

After last year's successful introduction of lawn mowers, it has added riding mowers and expanded its long-handle tools run to 24 feet.

Close-out merchandise from its linen department is now sold in its Brooklyn Park, Md., unit (The store was vacated when Goodbuys moved to a new unit.) This "Goodbuys Outlet Store" is, however, only a temporary measure and will cease to exist when the two year lease runs out.

Nevertheless, Goodbuys is having trouble convincing people of the bargains to be had; when it ran a half-price ad which was in fact "below cost," its stores had little customer response.

"People are becoming jaded with sales," said Thornton, who is working towards an every day low pricing strategy chainwide.

Taiwan tool maker backs off pliers suit

By an NHCN staff editor

TAIPEI, Taiwan — After two appeals, a Taiwanese tool maker backed off its attempt to usurp an American trademark for locking pliers.

Mao-Chieh Industries Ltd. had sought to invalidate the 65-year-old Vise-Grip trademark of American Tool Co., Lincoln, Neb. Mao-Chieh contended in Taiwanese courts that Vise-Grip had become a commodity or generic name, like aspirin or cellophane, counsel for American Tool explained. *NHCN* was unable to contact the Taiwanese tool maker.

According to James Siegel, American Tool's lawyer, Mao-Chieh distributed Taiwanese-made locking pliers in Korea in packaging "almost identical" to American Tool's. The Taiwanese company used the name Vise-Clip.

A Taiwanese trademark office judge ruled in American Tool's favor as did another, higher court. Mao-Chieh failed in its appeal to a final judicial court and the attempt to usurp American's trademark was dismissed.

American Tool has trademarks on its locking pliers filed in 78 countries, Siegel said.